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# 深圳高速公路集團股份有限公司 SHENZHEN EXPRESSWAY CORPORATION LIMITED

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

**(Stock Code: 00548)**

## **2023 Annual Results Preliminary Announcement**

### **I. Important Notice**

- 1.1** 2023 Annual Results Preliminary Announcement of the Company is extracted from the full Annual Report 2023 of the Company. For detailed information, investor shall read the full Annual Report to be published on the website of SSE at <http://www.sse.com.cn> and HKEX at <http://www.hkexnews.com.hk>.

All the information to accompany preliminary announcement of results for the financial year required under Appendix D2 to the Listing Rules was included in the 2023 Annual Results Preliminary Announcement published on the website of HKEX.

The 2023 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

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

### **1.2 Basic Information of the Company**

Type of shares	A Share	H Share
Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock code	600548	00548
Listing exchanges	SSE	HKEX
Contacts and details	Secretary of the Board	Securities Officer
Name	ZHAO Gui Ping	GONG Xin, XIAO Wei
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## II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.55 (proposal) per share (tax included) in cash to all shareholders (2022: RMB0.462 per share), based on the total share capital of 2,180,770,326 as at the end of 2023 and totaling RMB1,199,423,679.30. The aforesaid proposal shall be subject to approval by shareholders at the 2023 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately. It is expected that the dividend will be distributed on or before 19 July 2024.

## III. Principal Financial Data and Information of the Shareholders

### 3.1 Principal Financial Data

During the Reporting Period, the Group recorded revenue of RMB9,295,304,000 (2022: RMB9,372,582,000), representing a YOY decrease of 0.82%, mainly due to the combined effect of the increase in revenue arising from the restorative growth in traffic volume of the ancillary toll highways, and the YOY decrease in revenue recognition arising from the free transfer of the concession rights of Wuhuang Expressway to the government authorities upon expiry in December last year and the close completion of the entrusted construction and management projects. After deduction of the impact of Wuhuang Expressway in the same period last year, the Group's revenue recorded a YOY increase of 3.16%, in which toll revenue recorded a YOY increase of 16.44%. In 2023, the Group recorded a net profit attributable to owners of the Company ("net profit") of RMB2,327,197,000 (2022 (restated): RMB2,016,497,000), representing a YOY increase of 15.41%, mainly due to the restorative growth in traffic volume of toll highways operated and invested by the Group, as well as a reduction in the exchange loss related to foreign currency liabilities, etc.

Unit: Yuan Currency: RMB

	As at 31 Dec 2023	As at 31 Dec 2022		Change as compared to the end of last year (%)	As at 31 Dec 2021	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Total assets	<b>67,507,469,090.77</b>	69,204,698,015.50	69,201,468,263.76	-2.45	72,305,816,869.59	60,613,494,756.12
Owners' equity attributable to owners of the Company	<b>22,357,997,457.11</b>	21,348,467,566.83	21,346,287,718.08	4.73	25,560,385,725.33	24,638,965,669.92
		2022		Change as compared to last year (%)	2021	
	2023	After adjustment	Before adjustment		After adjustment	Before adjustment
Revenue	<b>9,295,304,371.69</b>	9,372,582,546.59	9,372,582,546.59	-0.82	10,889,580,617.90	10,871,924,008.52
Net profit attributable to owners of the Company	<b>2,327,197,196.81</b>	2,016,496,533.08	2,014,112,457.01	15.41	2,617,979,523.37	2,606,254,756.43
Net profit attributable to owners of the Company - excluding non-recurring items	<b>2,240,100,027.08</b>	1,228,230,901.37	1,225,846,825.30	82.38	2,335,580,556.97	2,335,503,841.79
Net cash flows from operating activities	<b>4,094,812,227.87</b>	3,369,490,111.19	3,369,490,111.19	21.53	3,757,315,986.90	3,941,530,767.73
Return on equity - weighted average (%)	<b>11.99</b>	9.93	9.93	Increase by 2.06 pct. pt	11.53	12.24
Earnings per share - basic (RMB/share)	<b>0.982</b>	0.839	0.838	17.04	1.115	1.110
Earnings per share - diluted (RMB/share)	<b>0.982</b>	0.839	0.838	17.04	1.115	1.110

Description of Principal Accounting Data and Financial Indicators of the Company for the first three years at the end of the Reporting Period:

1. On 30 November 2022, the Ministry of Finance (MOF) issued and implemented ASBE Interpretation No. 16, "Accounting for Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction to Which the Initial Recognition Exemption Does Not Apply", which is effective from 1 January 2023 onwards. For lease liabilities and right-of-use assets recognised at the beginning of the earliest period for the presentation of financial statements in which the provision is first implemented, as well as projected liabilities related to abandonment obligations and corresponding related assets arising from a single transaction to which the provision applies, which gave rise to a taxable temporary difference and a deductible temporary difference, the Group, in accordance with the provisions of the above-mentioned provision and the provisions of "Accounting Standard for Business Enterprises No. 18 - Income Taxes", the Group adjusted the cumulative effect to opening retained earnings and other relevant financial statement items in the earliest period for which the financial statements are presented.

2. SIICHIC which holding 71.83% of the equity of Bay Area Development and consolidating its financial statements, was consolidated into the Group as a jointly controlled entity in January 2022. The Company adjusted the data of consolidated financial statements before 2022 retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises.

3. In 2020, the company issued RMB 4 billion of perpetual bonds, which were included in other equity instruments. The impact of perpetual bonds was deducted when calculating the above earnings per share and weighted average return on net assets pursuant to relevant requirements.

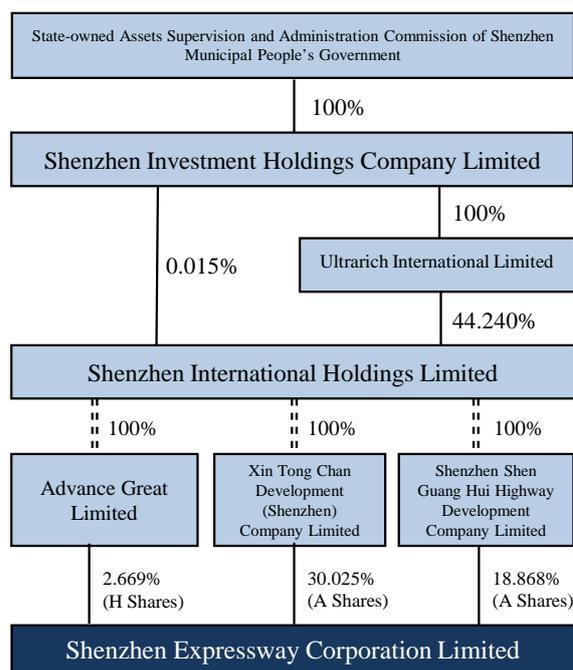
### 3.2 Information of the Total Number of Shareholders and the Top Ten Shareholders

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

Unit: share

Total number of shareholders as at the end of 2023	The Company had 15,841 shareholders in total, including 15,597 holders of A Shares and 244 holders of H Shares.				
Total number of shareholders as at the end of the last month prior to the Reporting Date	The Company had 16,684 shareholders in total, including 16,439 holders of A Shares and 245 holders of H Shares.				
Top ten shareholders as at the end of 2023					
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED <sup>(1)</sup>	Overseas legal person	33.46%	729,791,402	—	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	State-owned legal person	30.03%	654,780,000	—	None
Shenzhen Shen Guang Hui Highway Development Company	State-owned legal person	18.87%	411,459,887	—	None
China Merchants Expressway Network & Technology Holdings Company Limited	State-owned legal person	4.18%	91,092,743	—	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	—	None
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	Domestic non-state-owned legal person	1.46%	31,895,796	—	Unknown
Hong Kong Central Clearing Company Limited	Other	0.82%	17,778,688	—	Unknown
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	—	Unknown
Industrial and Commercial Bank of China Co., Ltd. – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund	Domestic non-state-owned legal person	0.38%	8,364,100	—	Unknown
Zhang Ping Ying	Domestic natural person	0.35%	7,738,565	—	Unknown
<b>Connected relationship or concerted action relationship among the abovementioned shareholders</b>	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. In addition to the above associations, there is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				
Note: (1) The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.					

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



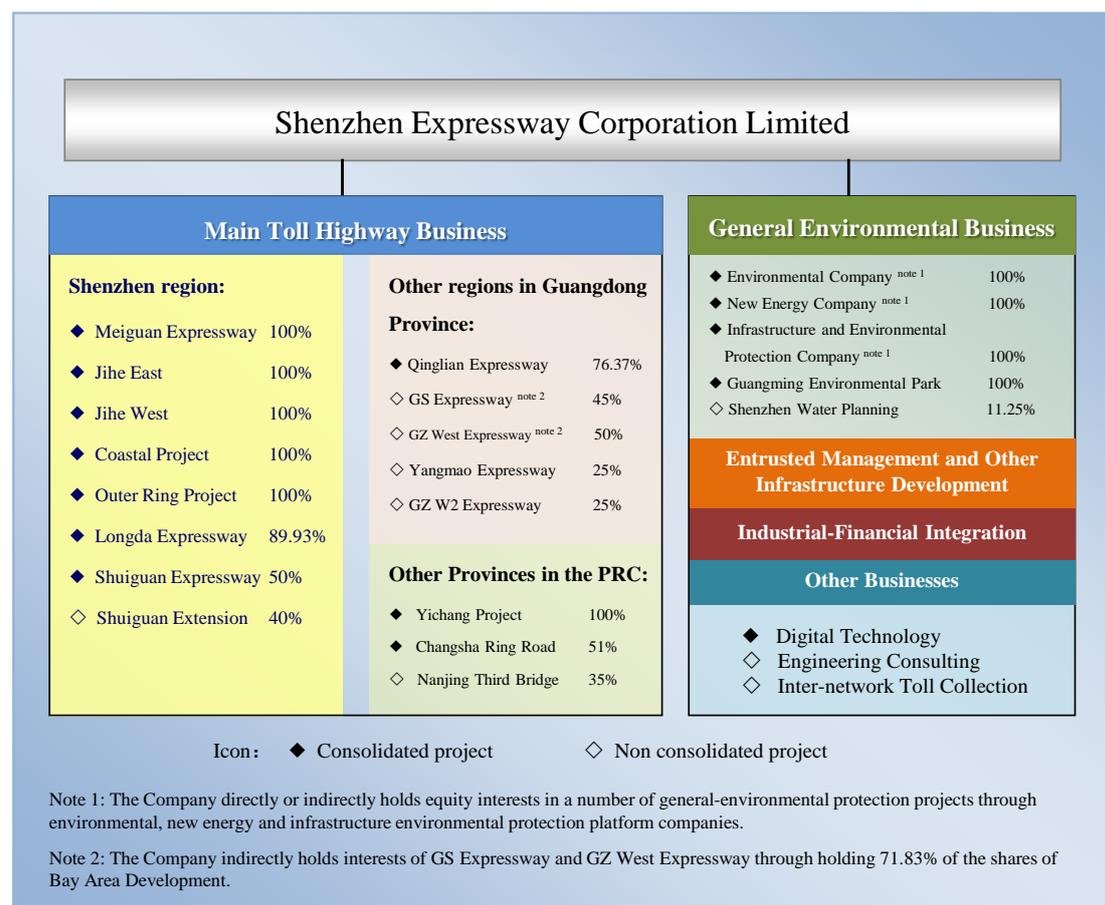
## IV. Management Discussion and Analysis

### 4.1 Business Review

#### (I). Discussion and Analysis of the Operations

The Company principally engages in the investment, construction, operation and management of toll highways, and the general environmental protection business. At present, the general environmental protection business of the Group mainly includes recovery and solid waste management, and clean energy power generation. The Group adheres to a market-oriented, specialised and industrialised approach, and has gradually established various business platforms for urban infrastructure, environmental protection, operation, construction and new energy which include the Operation Development Company, a company principally engaging in highway operation and maintenance management services; the New Energy Company, a company principally engaging in the expansion of businesses relating to wind energy, photovoltaics and new energy power generation; the Environmental Company, a company principally engaging in businesses relating to the environmental protection industry such as recovery and solid waste management; the Infrastructure and Environmental Protection Company, a company, located in the Shenshan Special Cooperation Zone, engaging in the provision of large-scale infrastructure construction management services for the cooperation zone and environmental project investment within the cooperation zone; the Construction Development Company, a company principally engaging in the provision of project construction management services; the Investment Company, a company principally engaging in the business of infrastructure construction and joint comprehensive development of land; and the industry financial management department, which would act as a consolidated management platform of the Group for the industrial-financial integration business. Through the aforesaid business platforms, the Group will give full play to its own competitive advantages in infrastructure investment and financing, construction, operation and integrated management. The Group will also actively extend its business scope upstream and downstream the industry chain of its dual core businesses of "toll highways + general environmental protection", and develop other service-oriented businesses, such as operation maintenance, engineering management, industrial finance and digital technology, striving for greater room for the development of the Group's operation.

At the current stage, the Group's revenues and profits are mainly derived from toll highway operations and investments, and the revenue contribution of general environmental business is gradually emerging. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management, industry and finance services, engineering consulting and inter-network toll collection businesses. As of the end of the Reporting Period, the main business of the Group is set out as follows:



## (II). Industry of the Company during the Reporting Period

In 2023, due to intensified geopolitical conflicts and other factors, the evolution of the global political and economic landscape accelerated, risks of global inflation increased, and global economic recovery was weak. In face of the complex and severe international and domestic situation, China adhered to the keynote of seeking progress while maintaining stability, and coordinated macroeconomic regulation policies scientifically, and the Chinese economy presented a trend of being low in the early stage, high in the middle stage and stable in the late stage, and rebounded quarter by quarter, with a GDP of RMB126.06 trillion in 2023, a YOY increase of 5.2%; total import and export volume reached RMB41.76 trillion, a YOY increase of 0.2%, demonstrating the strong resilience of the Chinese economy. The long-term trend of steady economic development is conducive to the proper implementation of investment, production and operation activities of enterprises, which drives the stable growth in general demand for highway transportation and logistics, and increases the demand for environmental protection businesses such as solid waste recycling and clean energy power generation to a certain extent. Source of data: Government statistics information website

## 1. Toll Highway Business

Transportation is a fundamental link and important pillar for building a modern circulation system, facilitating the circulation of the national economy, and building a unified national market. Currently, China is accelerating the modernization process of the transportation industry. The 14th Five-Year Development Plan for the Modern Comprehensive Transportation System (《「十四五」現代綜合交通運輸體系發展規劃》) ("Transportation Plan") released by the State Council has made top-level design and systematic arrangements for the establishment of a modern comprehensive transportation system during the 14th Five-Year Plan period. In particular, for the highway industry, it proposes to ameliorate the highway system structure and functions, improve the national expressway network's quality, expand and reconstruct busy sections of trunk national expressways, and accelerate the construction of parallel lines, connection lines and unfinished sections during the 14th Five-Year Plan period; by 2025, China shall have realised integrated development in comprehensive transportation, where the total length of completed expressways will be 190,000 kilometres. The 14th Five-Year Plan for Highway Development (《公路「十四五」發展規劃》) released by the MOT proposes to accelerate the interconnection of national expressways, continue to promote the expansion and reconstruction of busy national expressway passages, actively improve high-speed networks of urban agglomerations and metropolitan areas, and promote the construction and reconstruction of ring expressways, urban entrance and exit sections, and interchanges in megacities and core cities of urban agglomerations orderly, and make arrangements for the construction of strategic passages and local expressways during the 14th Five-Year Plan period; by 2025, expressways will reach cities and counties with an urban population of 100,000 or more, and the trunk lines of the "71118" national expressways will be largely opened to traffic. For expressways – an important component of the national comprehensive transportation system, the expansion and reconstruction market of existing busy and congested sections, and sections newly planned by the government will still bring room for the development of the expressway industry.

In addition, the Transportation Plan puts forward requirements for the further extended application of intelligent technologies, and the in-depth integration of new technologies and the transportation industry. On 20 September 2023, the MOT issued the Opinions on Promoting Digital Transformation of Highways and Accelerating the Development of Smart Highway, which put forward specific objectives and requirements for promoting the digital transformation of the entire process of highway construction, maintenance, operation, etc., deeply applying digital technology to improve quality and efficiency, and reduce operating costs, and building a modern highway infrastructure system. The government's efforts to accelerate the modernisation, transformation and upgrading of the transportation system has also brought new market demand. By providing smart transportation application platforms, service systems, digital products and professional services, professional highway maintenance services for the public, and intelligent construction and renovation services for highways, etc., it will also create new room of market development for the toll highway industry.

In terms of industrial nature, the highway industry features strong connection with government and industrial policies, weak cycles and stable cash flows. In terms of competitive landscape, compared to transportation modes such as railway and aviation, expressways feature large capacity, fast travel, low travel costs, high flexibility, etc., especially for short-distance or small-scale passenger and cargo transportation. With the development of the national economy, there is a clear trend for the public to choose expressways for self-driving. As the most basic and extensive transportation mode in the comprehensive transportation system, short-distance, fast and direct expressway transportation will have long-term competitive advantages. In addition, the operation and development status of individual expressways is positively correlated with the economic development process of regions, and is highly region-specific.

Being dedicated to the transportation infrastructure industry for over two decades, the Group has gained extensive experience in areas such as road investment, construction and operation management. Currently, the Group has invested in or operated 16 toll highway projects in total, with the total mileage of approximately 660 kilometres (on equity basis), mainly located in Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay area and economically developed regions. With its favourable geographical advantages and excellent asset conditions, the Company is leading in terms of the scale of road assets and profitability among the listed domestic expressway companies. At present, the Company is actively promoting the construction of the Outer Ring Project, and the preliminary work for the reconstruction and expansion of Jihe Expressway and the projects under Bay Area Development in order to keep enriching the Group's high-quality highway assets. In addition, the Group actively promotes the research and application of intelligent transportation in response to the requirements of quality and efficiency improvement, upgrading, and high-quality development. In recent years, the successfully developed road network monitoring and command scheduling system platform has been put into operation, providing an information application platform for realising road network operation monitoring and management, business collaboration, joint emergency response, and other businesses; the pavement information integrated control platform for the Outer Ring Project developed independently by the Group has obtained a national computer software copyright and two national practical innovation patents; the development of the main functions of the BIM-based expressway construction management platform has been completed, and its application to highway reconstruction and expansion projects, and waste treatment plants, and system optimisation is in orderly progress. In order to promote digitalisation, the Group has also established the Digital Technology Company as the Group's digital transformation platform together with Yunji Intelligent. In 2023, it won the first market-oriented project successfully and took the first step in providing digital services. In addition, the Engineering Development Company under the Operation Company of the Group has obtained the Class I general contracting qualification for highway project construction, creating admission conditions for developing higher-level municipal and highway maintenance markets. The Group has expanded upstream and downstream industry chains moderately to deeply empower the development of its main businesses. For details of the industry position of the Group, please refer to "Analysis of Core Competitiveness" below.

## **2. General Environmental Protection Business**

During the 14th Five-Year Plan period, China's ecological civilisation construction entered a critical period of promoting synergies in pollution and carbon reduction, and comprehensive green transformation in economic and social development, and shifting from a qualitative change to a qualitative change in ecological environment quality improvement with carbon reduction being the key strategic direction. Strengthening the solid waste management and new pollutants, implementing waste sorting, reduction and recycling, promoting the low carbon transformation of energy, and developing renewable and clean energy has become an important measure in building an ecological civilisation system.

During the last strategic period, having set the goal of entering the general environmental protection industry for strategic transformation, the Group prudently sought opportunities for cooperation with environmental protection enterprises to enter the environmental protection and clean energy business sector while consolidating and improving the main business of toll highways. Moreover, the Group gradually shifted focus to the solid waste recycling and clean energy power generation industries through investment and MA over the past few years, and turned organic waste treatment into a priority segment of development under solid waste recycling. The solid waste recycling and clean energy industries are key green industries developed in the process of national ecological civilisation construction, and are relatively more aligned with the resource advantage, and management and operation mode of the Group in view of their heavy assets and stable business operation.

#### ◆ Solid waste recycling treatment industry:

Solid waste is divided into industrial Solid waste, domestic waste, construction waste and agricultural solid waste. Solid waste recycling refers to the process of converting solid waste into resources suitable for transport, storage, utilisation or disposal by physical, chemical, biochemical and other means in order to realise harmless treatment, reduction and recycling. Promoting the recycling of solid waste is an important way to accelerate the development of the circular economy. As an important renewable resource in solid waste, domestic waste is receiving more and more attention. Since the beginning of the 14th Five-Year Plan period, the national ministries and commissions concerned have promulgated a series of policies on the construction of "zero-waste cities", the sorting and management of domestic waste, charging mechanisms, pollution and carbon reduction, and integrated solid waste utilisation. The NDRC issued the 14th Five-Year Plan for the Development of Urban Domestic Waste Classification and Treatment Facilities (《"十四五"城鎮生活垃圾分類和處理設施發展規劃》), which proposed that the utilization rate of the national urban domestic waste recovery will reach approximately 60% by the end of 2025. The domestic waste classification collection and transportation capacity will reach approximately 700,000 tons/day, which will basically meet the needs of the classification collection, transfer and treatment of urban domestic waste at the prefecture level and above, and the plan has imposed requirements for orderly construction of kitchen waste treatment facilities. In July 2023, three ministries including the NDRC issued the Action Plan for Improving the Construction Level of Environmental Infrastructure (2023-2025), proposing that by 2025, the national capacity for sorted collection and transfer of domestic waste should reach over 700,000 tons per day, and explicitly proposing to improve the system of domestic waste sorting facilities, and the collection and transfer network, and promote the disposal and comprehensive utilisation of solid waste. In January 2024, the Opinions of CPC Central Committee and the State Council on Building a Beautiful China proposed further goals: By 2027, the proportion of "zero-waste cities" built should reach 60%, and the intensity of solid waste generation should drop significantly; by 2035, the full coverage of "zero-waste cities" should be achieved, with eastern provinces taking the lead. Driven by a series of comprehensive solid waste management policies implemented by the state, governments at all levels actively promote the building of "zero-waste cities", and keep increasing investment in solid waste treatment and recycling facilities, promoting refined and specialised solid waste management effectively. The solid waste recycling industry will undergo overall quality and efficiency improvement, which will also bring important development opportunities for the industry.

In recent years, the amount of urban domestic waste collected and transferred in China has kept rising. According to data from the National Bureau of Statistics, the annual amount of urban domestic waste collected and transferred in China rose from 228.0108 million tons in 2018 to 255.992 million tons in 2022, with a compound annual growth rate of approximately 3%. It is expected that this figure will reach 263.506 million tons in 2023. To this end, governments at all levels have stepped up efforts in the harmless treatment of urban domestic waste, and kept promoting the waste sorting management mechanism, thereby releasing the market demand for domestic waste significantly, especially kitchen waste treatment, and creating great market demand for the waste treatment industry.

With the rapid development of the solid waste recycling industry, more and more new entrants are entering this industry. From the perspective of competitive landscape, the solid waste treatment industry implements an administrative licensing system, with local governments planning treatment plants of appropriate scale based on local solid waste output, and granting franchise rights to operators. This has certain regional barriers, and due to the exclusivity and scarcity of franchise rights, market competition is fierce, affecting the industry's profit margin to some extent; solid waste recycling technology involves such disciplines as physics, chemistry and biology, and complex technical processes, so that enterprises must have strong comprehensive project

management capabilities and normative operating standards, and there are also certain technical and management barriers; on the other hand, a capital barrier exists in respect of large-scale organic solid waste treatment projects due to their characteristics including huge investment, long construction cycle, complicated treatment techniques and long investment payback period; in addition, the solid waste treatment industry is closely related to regional economy and local government policy orientation, and is highly region-specific. Therefore, enterprises with higher qualifications and capital strength are more competitive.

In the field of solid waste recycling, Bioland, a subsidiary of the Environmental Company under the Group, is currently a major enterprise in integrated organic waste treatment, construction and operation in China, and has service capabilities throughout the industry chain for organic waste treatment. As of the date of this report, Bioland had a total of 20 BOT concession projects of organic waste treatment. Lisai Environmental has BOT concession rights for biomass waste disposal projects in some parts of the urban area of Shenzhen; the Shaoyang Project started trial operation in February 2023; in addition, the Shenzhen Guangming Environmental Park Project had been largely completed by the end of 2023, and is expected to be put into trial operation in 2024. As of the date of the announcement, the organic waste treatment designed capacity of the Group exceeded 6,900 tons/day, ranking among the leaders in the domestic industry. As a newcomer in the recovery and solid waste treatment industry, the Group will further integrate management and build a professional talent team, strive to improve technological processes, and continually enhance core competitiveness and profitability.

#### ◆ Clean energy industry:

With the accelerated low-carbon transformation in the global energy structure, accelerating the substitution of fossil fuels for clean energy sources has become a global consensus. According to the World Energy Outlook 2023 report released by the International Energy Agency in October 2023, the world energy system will undergo significant changes by 2030, with renewable energy sources accounting for nearly 50% in the global electricity structure.

In order to deeply implement the major strategic decisions of the CPC Central Committee and the State Council on carbon peaking and carbon neutrality, and promote the carbon peaking action steadily, governments at all levels in China have promulgated multiple policies in recent years to actively promote low-carbon energy transformation and accelerate the establishment of a modern energy system. The Action Plan for Carbon Peaking before 2030 issued by the State Council proposes to develop new energy energetically, promote the large-scale and high-quality development of wind and solar energy comprehensively, develop both centralized and distributed systems, and accelerate the construction of wind and photovoltaic power generation bases; by 2030, the total installed power generation capacity of wind and solar energy will exceed 1.2 billion kilowatts. The 14th Five-Year Plan for the Development of Renewable Energy ("十四五" 可再生能源發展規劃) jointly issued by 9 ministries and commissions including the NDRC proposes that during the 14th Five-Year Plan period, the increased power generation by renewable energy shall represent more than 50% in the growth of social power consumption, and the wind and solar power generation shall be doubled. The 2023 Guidelines on Energy Work issued by the National Energy Administration in April 2023 proposes to deepen structural transformation. The main goals for 2023 include "increasing the proportion of non-fossil energy sources in total energy consumption to approximately 18.3%, increasing the proportion of installed power generation capacity of non-fossil energy sources to approximately 51.9%, and increasing the proportion of wind and photovoltaic power output to 15.3% of total social power consumption." 2023 is a transitional year for the implementation of the 14th Five-Year Plan for a modern energy system. The NDRC, National Energy Administration, and other authorities have issued a series of policies and documents to promote the construction of new energy systems, mainly including wind power and photovoltaics. The relevant national policies for further

promoting green and low-carbon energy transformation will create room for the sustained and stable development of the clean energy industry.

In the past decade, China's scale of new energy utilisation has grown rapidly, and China has become the world's largest country in energy conservation, and the utilisation of new and renewable energy sources. According to the 2023 Annual Report on Responding to Climate Change: China's Policies and Actions released by the Ministry of Ecology and Environment in October 2023, by the end of 2022, the proportion of non-fossil energy consumption in China reached 17.5%. By the end of 2023, the proportion of installed power generation capacity of renewable energy sources in China exceeded 51.9% of total installed capacity, surpassing that of thermal power for the first time; in 2023, China had an additional installed power generation capacity of 75.9 million kilowatts for wind power and 216.88 million kilowatts for photovoltaics, and the proportion of wind and photovoltaic power generation to total social power consumption exceeded 15%; by the end of 2023, China's installed power generation capacity of wind power and photovoltaics exceeded 1.05 billion kilowatts, ranking first in the world for many consecutive years. Source: statistics of the national government website. As renewable energy sources with enormous resource potential and mature technologies, wind power and photovoltaics have always been of great concern to the government. With the support of industry policies, China's wind power and photovoltaics industry has developed rapidly, with numerous participants in the industry chain and fierce competition. High requirements are placed on enterprises in R&D investment, technological innovation and cost control capability. In terms of clean energy power generation, in recent years, benefiting from significant breakthroughs in China's ultra-high voltage transmission technology, the "west-to-east power transmission" strategy has been implemented, the problem of reverse distribution of energy resources and power loads in China solved, wind curtailment alleviated, and the economic efficiency brought by progress in wind power technology in reducing operating costs improved, expanding room for the development of wind power generation enterprises; on the other hand, wind power development and operation projects are characterised by huge investment, long construction period and long payback period, which pose high requirements for professional technology and capabilities in the industry. In addition, new wind farm development and construction projects have to follow strict approval procedures imposed by government authorities, and have high financial, technical and policy barriers. Therefore, despite the large number of new entrants in the industry, major energy groups with solid strength and a government background are dominant. With the increase of industry concentration, it has become more difficult to acquire high-quality projects, and cooperating with major energy enterprises is an important way for new entrants to enter this business field.

Through practical exploration in recent years, the Group has identified clean energy power generation as a key area of development. As at the end of the Reporting Period, the Group had wind power projects with a total installed capacity of 648MW, all of which had commenced on-grid power generation, and an approved quota of 130MW for self-developed photovoltaic projects had been obtained. During the Reporting Period, the Group and a subsidiary of SPIC jointly established the joint venture Jinshen New Energy to jointly invest in and develop new energy wind power and photovoltaic projects. In 2023, Jinshen New Energy obtained an approved quota of 460MW for wind power projects in Guizhou Province and also made some progress in expanding photovoltaic projects; in addition, the Group holds 51% equity interests in Nanjing AVIS, which focuses on the wind power post operation and maintenance business through a joint venture with SPIC Fujian Company; the Group also owns a financing leasing business license. Through early-stage layout planning, the Group has developed integrated business capabilities in the investment, operation, post-operation and maintenance services, and financing of wind farm and photovoltaic projects. As a new entrant to the industry, the Group will strengthen the management and integration of merged and acquired enterprises, and continue to promote the stable development of the clean energy business.

### **(III). Business of the Company During the Reporting Period**

During the Reporting Period, the Group took active measures to promote the production and operation of toll highways, general environmental protection and other related businesses. In 2023, the Group recorded revenue of approximately RMB9.295 billion, which was basically the same as the same period last year. Among them, toll revenue was approximately RMB5.375 billion, revenue from environmental protection businesses such as clean energy and recovery and solid waste management was approximately RMB1.618 billion, and other revenue was approximately RMB2.302 billion, which accounted for 57.82%,17.41% and 24.77% of the total revenue of the Group, respectively.

#### **1. Business Management and Upgrade**

##### **◆ Continually strengthening the building of the internal management system and promoting the high-quality development of the Group**

Strengthening compliance management is an important pillar for the Group to realise high-quality development. During the Reporting Period, the Group formulated the Three-Year Action Plan for Promoting High-quality Compliance Management (2023-2025) to promote the establishment of a comprehensive and effective compliance management system.2023 is the year for promoting compliance management in all aspects of the Group. The Group has released and implemented basic policies on compliance management, such as the Compliance Manual and the Compliance Management Measures, formulated compliance guidelines for contract management, and labour and employment management, and prepared a compliance risk list for 14 key areas in corporate governance, project construction and capital operation, etc. The Group has strengthened compliance management in key areas of compliance management such as investment, bidding and procurement, project construction, and major contracts, implemented of the Group's three lines of defence for compliance management strictly, established a compliance risk identification and early warning mechanism, strengthened effective collaboration among compliance review, internal control review and risk control review, and addressed management loopholes for risks identified in compliance inspections and established a long-term mechanism by improving regulations and optimising business processes. In addition, as the business scale of the Group keeps expanding, the Group's property rights hierarchy and management chain keep extending. In order to improve the Group's management efficiency and level, during the Reporting Period, the Group further improved the authorisation mechanism and classified management system, prepared and issued a list of matters requiring run-through control by the headquarters over day-to-day operations of tertiary and below subsidiaries, and revised the Management Procedure for Subsidiaries to further define the boundary of the Group's control powers and responsibilities; in addition, it has formulated and implemented performance evaluation systems such as the Annual Overall Evaluation Management Measures for Chief Property Representatives of Subsidiaries to establish a sound and effective incentive and constraint mechanism. The Group promotes the high-quality development of its operations by strengthening its internal management system, and revising and improving management policies and processes continually.

##### **◆ Promoting digitalisation to empower business operations with technology**

In recent years, the Group has followed the development trend of the digital era, and kept promoting the construction of IT-based intelligence, and the application of innovative technologies to conventional expressway construction and operation, and the environmental protection business so as to reduce costs, and improve efficiency and management.

During the Reporting Period, the Group conducted unified planning in multiple aspects, including blueprint planning, enterprise architecture and digital governance system based on the development needs and industry characteristics of all business sectors to build a basic framework and implementation path for the Group's digital transformation. In addition, the Group continued to rely on major projects to promote informationisation and innovative technology application in highway construction and operation, kitchen waste treatment, environmental protection, and services. In terms of highway operation, based on the existing road maintenance, road network monitoring and other systems, application platforms covering health monitor of road and bridge structure and tunnels, active traffic control, etc. has been planned, and applied to the operation and maintenance management of multiple highways in the Shenzhen region, improving the overall intelligence level; drone road inspection has been applied, improving the capability of road operation control and intelligent maintenance; the comprehensive upgrading of the video monitoring platform for Outer Ring Expressway and the event detection system for directly managed road sections in Shenzhen has been completed, improving the efficiency of road video inspection and the emergency response capability; in addition, a new toll collection software system was developed and tested at the Guanlan toll station in 2023 to continually improve traffic efficiency under the ETC mode. In terms of project construction, the Group continued to promote the application, and system optimisation and upgrading of the BIM construction management platform in the Jihe project taking the Jihe Expressway reconstruction and expansion project as a carrier, and carried out BIM modelling and digital management R&D in some sections such as Coastal and Outer Ring Expressways. In addition, the Group also accelerated the informationisation presence in the environmental protection industry. Taking the Guangming Environmental Park Project as a trial, it has built a smart operation management platform that integrates functions such as collection and transfer, equipment, safety and sanitation management, and production data visualisation. By collecting data indicators from all aspects, and analysing and mining data, the Group realised refined production and operation management. In addition, in terms of comprehensive management, the Group continued to promote the building and application of information systems in various functional areas such as finance, human resources, auditing and administration in order to improve management efficiency. The Group continued to promote full IT application coverage in its businesses, and carry out the application and practice of innovative technologies to empower business development and improve efficiency.

## 2. Toll Highway Business

### (1) Business Performance and Analysis

The average daily traffic volume and toll revenue of all toll highways operated and invested by the Group during 2023 are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) <sup>(1)</sup>	YOY	Average daily toll revenue (RMB'000)	YOY
<b>Guangdong Province – Shenzhen Region:</b>				
Meiguan Expressway	164	19.1%	427	14.5%
Jihe East	318	12.5%	1,861	7.4%
Jihe West	218	16.5%	1,498	16.7%
Coastal Project <sup>(2)</sup>	189	34.1%	1,724	30.8%
Outer Ring Project	307	26.9%	3,270	25.0%
Longda Expressway	165	18.4%	427	18.2%
Shuiguan Expressway	269	13.3%	1,742	11.3%
Shuiguan Extension	64	17.4%	214	13.2%
<b>Guangdong Province – Other Regions:</b>				
Qinglian Expressway	51	15.3%	1,862	10.4%
GS Expressway <sup>(3)</sup>	632	19.9%	7,924	28.1%
GZ West Expressway <sup>(3)</sup>	270	21.6%	3,572	24.8%
Yangmao Expressway	55	24.5%	2,064	22.7%
GZ W2 Expressway	91	25.1%	1,366	23.1%
<b>Other Provinces in the PRC:</b>				
Yichang Project	61	10.4%	1,184	11.7%
Changsha Ring Road	96	16.6%	730	12.2%
Nanjing Third Bridge	39	34.9%	1,510	20.8%

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the data of average daily mixed traffic volume. The toll revenue listed in the above table is tax exclusive.
- (2) According to the freight compensation agreement entered by Shenzhen Transport Bureau, the Company and Coastal Company, during the period from 1 January 2021 to 31 December 2024, trunks passing through the Coastal Expressway shall be charged at 50% of the standard toll rate, and such toll waived by Coastal Company shall be compensated for by the government in a one-off manner in March of the following year.
- (3) The Group indirectly holds approximately 71.83% shares in Bay Area Development, which is indirectly entitled to 50% and 45% of profit-sharing interests in GZ West and GS Expressways, respectively.

In 2023, with the comprehensive resumption of normal domestic economic and social operation, the demand for road transport rebounded rapidly. However, due to the global economic downturn and weak overseas demand, the domestic economy and production were stressed overall, and the growth of road freight transport demand slowed down; on the other hand, benefitted from the stronger public willingness for self-driving after the all-round restoration of social order, the traffic volume of passenger cars rebounded steadily; in addition, the concession period of Wuhuang Expressway expired in December 2022, which had a certain impact on the Group's toll revenue During the Reporting Period. Due to the low base during the same period last year, the toll highways operated and funded by the Group mostly saw significant YOY growth in traffic volume and toll revenue during the Reporting Period.

Moreover, the operational performance of the toll expressway projects is also affected by the positive or negative impact of factors such as changes in surrounding competitive or coordinated road networks, construction or maintenance of these projects, renovation of connected or parallel highways, and implementation of urban traffic organisation plans.

◆ **Guangdong Province - Shenzhen region:**

In 2023, Shenzhen's economic development showed a restorative and upward trend, the total import and export volume of goods kept growing, and the demand for logistics transport and public travel underwent restorative growth. In February 2023, the Shenzhen-Hong Kong Port fully reopened, which had a positive impact on the recovery of passenger and freight traffic between the two cities. During the Reporting Period, Shenzhen strived to build an international logistics transfer hub, and accelerate the construction of the Shenzhen port group system with focus on the overall position of building a global logistics hub city. Eight new port group shipping lines were added to the east and west wings of the Shenzhen Port, and the Shenzhen Airport also opened multiple international freight airlines, which had a positive impact on the growth of freight traffic in the Company's port and airport connecting sections. On the other hand, although the domestic economy improved, endogenous drivers remained insufficient. According to statistics released by the Shenzhen Transportation Bureau, the container throughput of Shenzhen ports was approximately 29.88 million TEUs in 2023, a slight YOY decrease of 0.52%, and the highway freight volume was approximately 318.8741 million tons, a YOY increase of 4.17% only, which had a certain impact on the growth of truck traffic in the Company's road sections in the Shenzhen region. During the Reporting Period, the total toll revenue of the Group's road sections in the Shenzhen region grew by 18% YOY.

Among them, the Outer Ring Project, as important transportation infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area, is a densifying line in the main network of the "12 vertical, 8 horizontal and two ring" expressways in Guangdong Province, and an important part of the network of the "8 horizontal and 13 vertical" trunk roads in Shenzhen. Outer Ring Phase II officially opened to traffic on New Year's Day 2022, creating a run-through effect with Outer Ring Phase I, and becoming the most convenient high-speed west-to-east main road in Shenzhen. In 2023, the cross-line section of the Kengzi east interchange in Outer Ring Phase II was completed, which would meet the traffic changeover demand between the Outer Ring Project and Shenshan Expressway, realise rapid connection between local roads and expressways, and further promote the overall growth of vehicular traffic of the Outer Ring Project. During the Reporting Period, the average daily traffic volume and toll revenue of the Outer Ring Project grew by 26.9% and 25.0% YOY, respectively. To give further play to the overall benefits of the Outer Ring Project, the Board of the Company has approved the construction of Outer Ring Phase III. For details, please refer to "Business Development" below.

◆ **Guangdong Province - Other regions:**

During the Reporting Period, as production and living order along the line returned to normal, the operating performance of Qinglian Expressway showed restorative growth. Guanglian Expressway (Guangzhou-Lianzhou), which is basically parallel to Qinglian Expressway, officially opened to traffic at the end of 2021, creating a certain traffic diversion impact on Qinglian Expressway. To increase vehicular traffic, Qinglian Company has carried out marketing and publicity through multiple channels, improved the service level, and actively attracted vehicles.

GS Expressway serves as an important fast channel between Guangzhou and Shenzhen, and GZ West Expressway is a component of the Pearl River Delta Ring Expressway. During the Reporting Period, with the improvement of production and operation order in cities along the expressways, the vehicular traffic and toll revenue of these sections grew significantly. In addition, the opening of Zhongshan West Ring Expressway in January 2023 and the imposition of traffic

controls on the surrounding local road network had both positive and negative impacts on the vehicular traffic of GZ West Expressway, with an overall slight impact.

After the completion of reconstruction and expansion at the end of 2021, two-way and eight-lane Yangmao Expressway has been fully opened to traffic, significantly improving traffic capacity. In early 2023, the reconstructed and expanded Guanzhu-Linwu section of approximately 70 kilometres of Maozhan Expressway opened, which promoted the vehicular traffic of Yangmao Expressway. Benefiting from the interconnection of neighbouring highways that have opened to traffic successively, and the policies of promoting the tourism economy, etc. implemented by governments at all levels, Yangmao Expressway showed good operating performance during the Reporting Period.

#### ◆ Other Provinces:

During the Reporting Period, Yichang Expressway, Changsha Ring Road and Nanjing Third Bridge all showed restorative growth in operating performance. In addition, the reconstruction and expansion projects of Ningluo Expressway (Nanjing-Luoyang) and Ninghe Expressway (Nanjing-Hexian County) were completed successively, improving the traffic capacity of the road network north of Nanjing Third Bridge greatly and promoting the growth of vehicular traffic of Nanjing Third Bridge.

## (2) Business Development

Shenzhen Outer Ring Expressway runs from east to west, and is mostly located in the northern part of Shenzhen City, with some sections located in Dongguan City, with a total length of approximately 93 kilometres. Among them, the Shenzhen section of Outer Ring Expressway (the Outer Ring Project) funded and constructed by the Company has a total length of approximately 77 kilometres. The Outer Ring Project is implemented in three phases, in which the Shajing-Guanlan and Longcheng-Pingdi subsections of Outer Ring Phase I totalling approximately 51 kilometres were completed and opened to traffic on 29 December 2020; the Pingdi-Kengzi subsection of Outer Ring Phase II approximately 9.35 kilometres was completed and opened to traffic on 1 January 2022. On 14 July 2023, the Board approved a further investment of the Company of approximately RMB8.447 billion in Outer Ring Phase III. As at the end of the Reporting Period, construction and supervision bidding for multiple contract sections of Outer Ring Phase III had been completed, and some contract sections had commenced. The Outer Ring Project is important transportation infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area. After full-line opening, it will be connected to 10 expressways and 8 Class 1 highways in the Shenzhen region. It is an important backbone line for west-to-east traffic connection in northern Shenzhen. After the completion of Outer Ring Phase III, it will enrich the Company's core highway assets, and achieve the best overall economic and social benefits of the Outer Ring Project, on the other hand, it will also bring traffic to other toll highways of the Group by improving the road network layout. For details of the Outer Ring Project, please refer to the relevant content in the Company's announcements dated 14 July and 17 November 2023, and 25 January 2024.

The construction of Coastal Expressway Phase II commenced in December 2015, mainly including the construction of the interchange of the International Convention and Exhibition Center and the connecting line on the Shenzhen side of Shenzhen-Zhongshan Tunnel, in which the interchange of the International Convention and Exhibition Center was completed and put into operation in 2019. The total length of the Shenzhen side of Shenzhen-Zhongshan Tunnel is approximately 5.7 kilometres with two interchanges, namely airport interchange and Hezhou interchange respectively. Running from east to west, it starts from Huanghe toll station of Jihe Expressway (connecting with Jihe Expressway) and ends at the eastern artificial island of Shenzhen-Zhongshan Tunnel (connecting with the open section of Shenzhen-Zhongshan Tunnel). Upon completion, it will be connected to Coastal Phase I, Jihe Expressway, GS Expressway, Shenzhen-Zhongshan Tunnel and Bao'an International Airport. As at the end of the Reporting Period, Coastal Phase II had been completed by approximately 91% cumulatively,

and was scheduled to be completed and open to traffic simultaneously with Shenzhen-Zhongshan Tunnel in 2024. After the full completion of Coastal Phase II, it will not only improve the traffic conditions of the Shenzhen Airport, but also enhance the connection between the west bank of the Pearl River and the trunk expressway lines of Shenzhen, which is significant for promoting the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area.

The Board of the Company approved the Company to carry out preliminary design and other preparatory work for the Jihe Expressway reconstruction and expansion project in January 2018, and further approved the Company to carry out construction of the early-stage section of the Jihe Expressway reconstruction and expansion project, and the relocation of high-tension lines in 2020. The Company and the Shenzhen Transportation Bureau entered into a contract for the Jihe Expressway Renovation and Expansion Project on 30 September 2022. Shenzhen Municipal Government later intended to adjust the construction and implementation plan of the project, and adjust the investment and financing plan accordingly. The relevant concession procedures are currently being advanced. The Company will follow the corresponding approval procedure after relevant plans become clear. For details, please refer to the Company's announcements dated 30 September, 13 October, 20 October, 24 October, 2 December 2022 and 31 March 2023, respectively.

With approval of the Board, the Company has commenced preliminary work for Shenshan Second Expressway (Shenzhen-Shanwei) such as surveying and design. During the Reporting Period, the Company conducted preliminary work such as environmental impact assessment, land use application and woodland use approval. According to the current construction arrangements of the Shenzhen Municipal Government for Shenshan Second Expressway, the implementation of this project will be delayed.

The Company indirectly holds approximately 71.83% shares in Bay Area Development, which is indirectly entitled to 45% of profit-sharing interests in GS Expressway. Since the vehicular traffic of GS Expressway is close to saturation, the Guangdong Provincial Development and Reform Commission approved the reconstruction and expansion projects of the Huocun, Guangzhou to Chang'an, Dongguan section of the Beijing-Hong Kong-Macao Expressway and the Huangcun-Huocun section in Guangzhou of Guangfo Expressway (the "Reconstruction and Expansion Project") in August 2023. For details, please refer to the announcements of the Company and Bay Area Development dated 30 October 2023. During the Reporting Period, the Reconstruction and Expansion Project has commenced construction. In addition, in 2023, Bay Area Development also conducted in-depth research on land along GS Expressway with its partner shareholders to explore feasible business models to promote the revitalisation, development and utilisation of land along the expressway, and improve the overall rate of return of the expressway. For the details of operation of Bay Area Development during the Reporting Period, please refer to its Annual Report 2023.

Based on the Company's financial status and investment plan, the Company plans to offer not more than 654 million A-shares ("this issuance") to not more than 35 (inclusive) specific targets that comply with the regulations of the CSRC. The total amount of funds raised in this issuance is expected to be not more than RMB4.9 billion (inclusive), and will be used for the investment and construction of the Outer Ring Project, the repayment of interest-bearing liabilities, etc. after the deduction of issuance expenses. This issuance has to be considered and approved by the SSE, and approved for registration by the CSRC before implementation. For details, please refer to the Company's announcements and documents dated 14 July and 20 September 2023, and 25 January 2024, the circular dated 24 August 2023, as well as the meeting documents for the first extraordinary general meeting 2023 and the first class meeting 2023 of holders of A shares.

On 18 August 2023, the Board of the Company considered and approved the Proposal on the Application Plan for Public REITs of Yichang Expressway, and the Board agreed to carry out pilot application for real estate investment trust funds in the infrastructure industry with Yiyang-Changde Expressway in Hunan Province that a wholly-owned subsidiary of the Company enjoyed 100% toll road rights, and its auxiliary facilities being the underlying infrastructure project. According to the

application guidelines of Practice Note 15 to the Listing Rules of the HKEx ("PN15"), the issuance of REITs by the Company constituted a spinoff of the Company, and the HKEx granted exemption from strict compliance with PN15 in the issuance of REITs by the Company on 20 October 2023; a letter of no objection was obtained from the SSE and the approval for registration from the CSRC for Yichang Expressway Public REITs at the end of December 2023. On 31 January 2024, the Board of the Company considered and approved the Proposal on the Implementation Plan for Public REITs of Yichang Expressway. The issuance of Yichang Expressway REITs was completed on 7 March 2024. Yichang Expressway REITs ultimately raised 300 million shares, with an issuance price of RMB6.825/share and total fund raised was RMB 2.0475 billion. Among them, the Company, as the original right holder, participated in the strategic allotment and subscription of 120 million shares, accounting for 40% of the total issued units. Yichang Expressway REITs are expected to be listed on the SEE by the end of March 2024 (transaction code: "508033", on-exchange abbreviation: "SGS REIT"). For details of the above matters, please refer to the Company's announcements dated 18 August and 17 November 2023, and 2 January, 31 January and 13 March 2024, respectively.

### 3. General-Environmental Protection Business

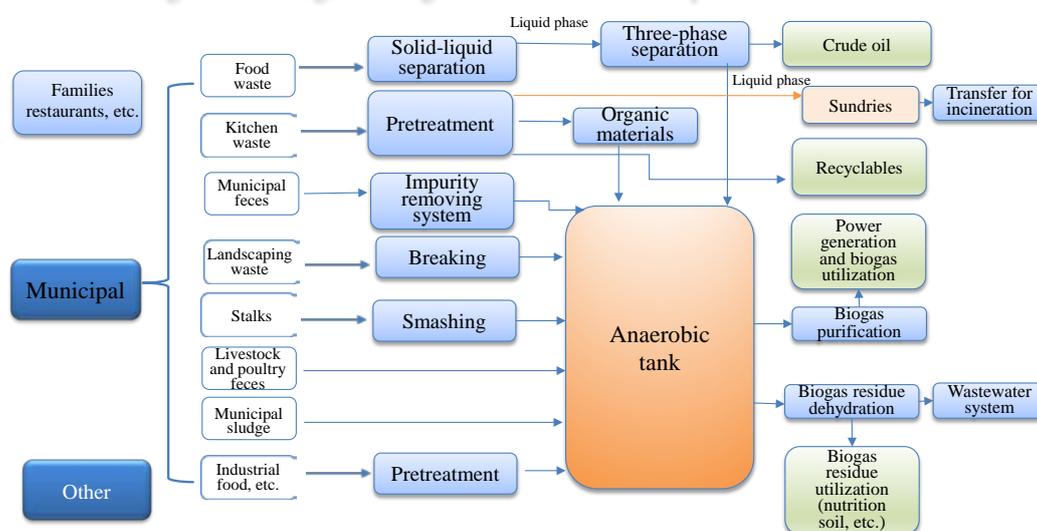
In order to explore a broader room for the Group's long-term development, the Group has taken the general environmental protection industry including solid waste recycling treatment and clean energy as the second core business while consolidating and enhancing the core business of toll highway. The Group has established the Environmental Company and the New Energy Company as investment management platforms for expanding businesses in relation to the general environmental protection industry.

#### (1) Solid Waste Recycling Treatment

The organic waste treatment industry is supported by the national environmental protection policies. The Group's strategies for the "14th Five Year" period define organic waste treatment as a key industry segment of focused development in the general environmental protection industry. The Group actively builds itself into a segmented leader with industry-leading technology and scale advantages.

As of the date of this announcement, the designed organic waste treatment capacity of the Group exceeded 6,900 tons/day, operating in BOT and other concession models, providing harmless treatment of organic solid and domestic waste (including food, kitchen and landscaping waste, etc.) to government customers, and selling processed resource products to downstream customers. The schematic diagram of the integrated organic waste treatment process of the Group is as follows:

Schematic diagram of integrated organic waste treatment process



Bioland, a subsidiary of the Company in which the Company holds 92.29% indirectly, mainly relies on technologies such as efficient anaerobic reaction treatment, MBR membrane bioreactors and its derivative technologies to provide customers with systematic and comprehensive solutions for municipal organic waste treatment. Its business models mainly include the investment and operation of organic waste treatment projects, environment protection construction (EPC), equipment manufacturing and marketing, etc. As of the date of this announcement, Bioland had 20 organic waste treatment projects in total, with a total design kitchen waste treatment capacity of over 4,800 tons/day, among which 13 (with a total design capacity of 3,020.5 tons/day) had been put into commercial operation, and some were at the trial operation or commissioning stage. In 2023, with the recovery of the catering consumer market and a YOY increase in kitchen waste, Bioland's operating income grew to some extent. However, due to factors such as a significant drop in oil and grease sales prices, a low rate of reaching design capacity arising from insufficient waste collection and transfer in some projects, lower-than-expected new project development, failure to perform equipment orders on schedule, high initial project costs, and delayed settlement and commercialisation of some projects, the overall operational performance of Bioland in 2023 was poor. To reverse the unfavourable situation, Bioland has taken measures such as promoting the grid connection of power generation projects, expanding markets around projects to compensate for insufficient waste collection and transfer, and expanding oil and grease sales outside the region to improve operational performance. In addition, the Group has adjusted the business structure of Bioland, defined the business strategy of focusing on operations, diminished and closed down EPC engineering and equipment manufacturing operations with heavy losses gradually, further optimised the organisational structure, and strengthened cost control. For the next step, Bioland will focus on the quality and efficiency improvement of the existing projects, promote technological transformation, strengthen normative management, and strive to improve profitability.

The Guangming Environmental Park Project in which the Company holds 100% equity interests is located in Guangming District, Shenzhen, and will be built into the first centralized plant for food waste treatment, and harmless treatment and recycling of kitchen waste in Shenzhen, with a processing capacity of 1,000 tons/day for organic waste, 100 tons/day for bulk waste (used furniture) and 100 tons/day for landscaping waste. The proposed concession period of the project is 10 years, and may be extended for 5 years after passing the evaluation and being approved of the district government. The Guangming Environmental Park Project adopts the industry-leading "pre-treatment + anaerobic fermentation + biogas power generation" treatment process, which can solve the secondary environmental pollution problem of by-products generated by kitchen waste treatment, and realise the recycling and harmless treatment of organic waste. During the Reporting Period, the Guangming Environmental Park Project achieved 99% cumulative progress in physical shape in construction and equipment installation, and production preparations were underway. It is expected to start trial operation in 2024.

Lisai Environmental in which the Company holds 70% equity interests is entitled to the concession of the Urban Biogenic Waste Treatment Construction BOT Project in Shenzhen ("Biogenic Project") and the area for concession service covers Longhua District of Shenzhen. The Biogenic Project, located in Yunan Environmental Park, Longgang District, Shenzhen, is a key project under the 863 Program during the 11th Five-Year Plan period, with an original design processing capacity of 500 tons/day of biomass waste. The concession period for kitchen waste treatment is "10+5" years, and that for municipal sludge treatment is 25 years. Lisai Environmental officially put the project into operation in December 2017. In addition, as entrusted by the related government department, Lisai Environmental also assisted in the treatment of certain kitchen waste in Futian District. During the Reporting Period, the Environmental Company has largely completed the technological transformation of the production line of Lisai Environmental. After the transformation, its kitchen waste treatment capacity will rise to 650 tons/day, and an additional grease processing capacity of 30 tons/day will be added. The food waste collection and transfer capacity will rise to over 600 tons/day. Currently, full-capacity operation is largely realised.

The Shaoyang Project in which the Company holds 100% equity interests indirectly is located in Daxiang District, Shaoyang City, Hunan Province, with a design treatment capacity of 200 tons/day for kitchen waste and a concession period of 30 years, and operates in the "TOT" (Transfer-Operate-Transfer) model. The Shaoyang Project started trial operation on 28 February 2023.

In 2023, the key operating data of the Group's organic waste treatment projects is as follows:

Organic waste			Organic waste disposal volume (thousand tons)	Operating income (RMB'000) <sup>(1)</sup>
Project	Shareholding ratio of the Group	Revenue consolidation ratio	2023	2023
<b>I. Bioland</b>				
<i>(I) Projects having started commercial operation</i>				
Guiyang Project	100%	100%	174.83	94,689.30
Nanning Project	100%	100%	187.24	106,977.96
Dezhou Project	100%	100%	125.98	33,758.58
Taizhou Project	100%	100%	95.84	32,356.61
Zigong Project	84.57%	100%	53.01	39,951.36
Zhuji Project	90%	100%	62	20,119.21
Longyou Project	100%	100%	58.5	5,020.24
Handan Project	90%	100%	46.04	18,107.62
Other projects	70~100%	100%	181.98	1,530.68
<i>(II) Projects at the trial operation and commissioning stage <sup>(2)</sup></i>				
Inner Mongolia Project	51%	100%	83.83	42,861.50
Other projects	89~90%	100%	21.39	4,735.49
<b>Subtotal of Bioland projects</b>			<b>1,090.56</b>	<b>475,897.90</b>
<b>II. Lisai Environmental</b>	70%	100%	292.28	149,625.94
<b>III. Shaoyang Project</b>	100%	100%	37.09	26,190.85
<b>Total</b>			<b>1,419.93</b>	<b>651,714.68</b>

Notes:

- (1) The operating income in the above table includes estimated subsidy income calculated based on the amount of waste treatment.
- (2) The Inner Mongolia Project and Beihai Projects under Bioland entered the trial operation stage in August 2022 and July 2023, respectively, while the Chuzhou Project entered the commissioning stage in July 2023.

Shenshan Qiantai, in which the Company holds 63.33% equity interests indirectly, is qualified to recycle and dismantle scrapped motor vehicles, and can provide services for the recovery and disposal of gasoline-powered vehicles, as well as integrated recycling services for new energy vehicles and retired power batteries. During the Reporting Period, Shenshan Qiantai was recognized as a specialised, refined and innovative small and medium-sized enterprise, and approved to establish a province-level science and technology expert workstation in 2023, and selected as the first pilot unit in Shenzhen to set up a regional service centre for new energy vehicle power batteries. During the Reporting Period, Shenshan Qiantai completed the R&D of multiple energy storage products, low-speed electric products and special vehicle battery products based on market demand. In 2023, it applied for 10 new patents, and upgraded and transformed its production lines to improve production capacity. In terms of power

battery recovery and sale, Shenshan Qiantai's business performance was lower than expected in 2023 due to the continued decline in lithium battery material prices and the slowdown of demand growth in the power battery market. In the scrapped vehicle business, prices in the scrapped vehicle recycling market kept rising in the first half year, however, prices in the scrap metal market dropped, resulting in a lower profit margin in vehicle dismantling. The acquisition of the scrapped vehicle recovery business and the overall volume of scrapped vehicle recovery and processing were affected. Due to the above factors, the performance of Shenshan Qiantai during the Reporting Period was lower than expected. During the Reporting Period, Shenshan Qiantai stepped up efforts to acquire new customer resources, actively expanded its scrapped vehicle business outside the province, and made initial progress while maintaining its existing partnerships with major clients. For the next step, Shenshan Qiantai will continue to strengthen its product R&D capabilities, expand cooperation with upstream and downstream players in the industry chain and market development, and improve its profitability.

## (2) Clean Energy

As at the end of the Reporting Period, the cumulative installed capacity of the wind power projects invested and operated by the Group amounted to 648MW, including Baotou Nanfeng Project with five wind farms (247.5MW), Xinjiang Mulei Project with three wind farms (299MW), Yongcheng Zhuneng Project with two distributed wind farms (32MW) and Zhongwei Gantang Project (49.5MW). In addition, the Group holds 20% equity interests in Huaian Zhongheng Wind Power Project (99.4MW). These wind farms are completed projects and commenced on-grid power generation. The local wind resources are abundant with promising power consumption. The major operating data of wind power projects of the Group in 2023 are as follows:

Wind Power			On-grid power supply (MWh) <sup>(1)</sup>	Wind Power Project Revenue (Unit: RMB'000) <sup>(1)</sup>
Project	Proportion of the Group's interest	Proportion of revenue consolidation	Jan-Dec 2023	Jan-Dec 2023
Baotou Nanfeng	100%	100%	783,244.69	245,821.55
Xinjiang Mulei	100%	100%	651,204.10	299,801.50
Yongcheng Zhuneng	100%	100%	83,239.80	40,933.30
Zhongwei Gantang	100%	100%	121,103.84	64,525.18
Huaian Zhongheng	20%	—	222,616.10	106,152.68

Notes:

- (1) On-grid power supply is calculated based on the settlement cycle of the power grid, and the operating revenue includes the electricity price subsidy income calculated based on on-grid power supply.

On 29 June 2023, the 60MW photovoltaic project (the "Pingshan Project") and 70MW photovoltaic project independently applied for by the New Energy Company in Pingshan County, Hebei Province were selected as a local supported project and a local reserved project, respectively. With the approval of the Board, the New Energy Company established Pingshan Jishen New Energy Technology Co., Ltd. in August 2023 to implement the Pingshan Project. As at the end of the Reporting Period, the first instalment of the paid-up capital of the project company had been in place and all preliminary work was underway. During the Reporting Period, the New Energy Company and Weining Energy, a controlling subsidiary of SPIC, established Jinshen New Energy at a 65%:35% equity ratio to jointly invest in and develop new energy projects. Weining Energy is a major new energy power generation enterprise in Guizhou Province. By establishing a joint venture with Weining Energy, the New Energy Company can make up for its deficiencies in project resource development, construction and operation

management, and achieve rapid business development; in 2023, Jinshen New Energy actively promoted wind power and photovoltaic projects, and obtained an approved quota of 460MW for wind power projects in Guizhou Province, and all preliminary work was in orderly progress. In addition, during the Reporting Period, New Energy Company also established the joint venture Shengneng Technology with the Infrastructure and Environmental Protection Company to jointly develop and construct the photovoltaic, storage and charging integration project in SZE Qiantai Industrial Park to explore and attempt distributed photovoltaics. This project obtained a registration certificate in April 2023, and is expected to be completed and connected to the grid in 2024.

During the Reporting Period, Nanjing Wind Power mainly provided post operation and maintenance services for wind farms funded by the Group, and also assisted the New Energy Company in market development for wind power and photovoltaic projects. However, due to factors such as the suspension of the original wind turbine manufacturing and sales business, asset impairment and estimated liabilities, Nanjing Wind Power's operating performance was poor. In addition, during the Reporting Period, except for one shareholder who held 1.96% equity interests, the other shareholders (performance commitment parties) of Nanjing Wind Power transferred 47.04% equity interests in Nanjing Wind Power to the Environmental Company gratuitously pursuant to the VAM compensation clause of the M&A agreement. As at the end of the Reporting Period, Environmental Company held 98.04% equity interests in Nanjing Wind Power. For details, please refer to the Company's announcements dated 11 September and 9 November 2023. For the next step, the Group will strengthen the business transformation of Nanjing Wind Power, accelerate asset revitalisation and capital recovery, and expand operation and maintenance services based on the Group's integrated collaboration in clean energy to improve its business status.

### **(3) Water Environmental Remediation and Others**

The Environmental Company, a wholly-owned subsidiary of the Group, holds 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental investment enterprise, with holding subsidiaries such as Chongqing Water (stock code: 601158) and Sanfeng Environment (stock code: 601827) which are listed on the domestic main board. The major business segments include water supply and sewage treatment, waste incineration power generation, environmental restoration, etc. For the main business and operation performances of Chongqing Water and Sanfeng Environment, please refer to their annual reports 2023.

The Group holds 11.25% equity interests in Shenzhen Water Planning. Shenzhen Water Planning has been listed and traded on the ChiNext Market of the Shenzhen Stock Exchange in August 2021, with the stock code of 301038. For information of the business development of Shenzhen Water Planning, please refer to its Annual Report 2023.

For details of the profitability of wind farm projects such as Bioland, Shenshan Qiantai, Nanjing Wind Power and wind farm projects, and projects such as Derun Environment during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and Notes V\48 and V\55 to the Financial Statements in this announcement.

## **4. Entrusted Management and the Development of Other Infrastructure**

The Group has continually launched or participated in the entrusted construction, operation and maintenance management businesses (also known as entrusted construction and management businesses) with the expertise and experience gained in the field of highway construction and operation over these years. In addition, the Group has also attempted to participate in the construction and development of local infrastructure and land along highways by utilising own financial resources and financing capability to obtain reasonable return.

### **(1) Entrusted Construction Business**

During the Reporting Period, the Group's entrusted construction projects included the Shenshan Environmental Park Project in Shenzhen, the Longli River Bridge (formerly known as Duohua Bridge) Project and Bimeng Project in Longli County, Guizhou Province, etc. During the Reporting Period, the Group actively promoted the construction progress of the projects under construction, strengthened its safety and quality management, and supervised the collection of construction funds and income of these projects.

During the Reporting Period, the supporting public roads for the Shenshan Environmental Park Project achieved 92.16% progress in physical shape, in which key projects such as tunnels were completed, the pilot works of public facilities and the waste transfer station in the park were approved for construction, and all preliminary work was in active progress. As at the end of the Reporting Period, the main part of the Longli River Bridge had been fully completed. The bridge is a canyon landscape cable-stayed bridge that integrates traffic and tourism functions, and will have a roadway and a sightseeing glass walkway. The Bimeng Resettlement Community Project achieved 100% progress in physical shape.

### **(2) Entrusted Management Business**

The Operation Development Company, a wholly-owned subsidiary of the Group, mainly engages in such businesses as highway operation, maintenance and management. The Engineering Development Company controlled by the Operation Development Company mainly engages in businesses related to upstream and downstream industry chains, such as highway and municipal road maintenance and construction. It has the Class I general contracting qualification for highway project construction, and is the implementing entity that provides professional and market-oriented maintenance technologies and services for the Group.

In June 2022, the Operation Development Company won the bid and renewed the contract for the comprehensive management and maintenance project of four expressways, with a term of three years and a cumulative contract amount of approximately RMB290 million. The Operation Development Company performed all tasks in strict conformity with the contract, and was rated excellent by the Shenzhen transportation authority in the 2022-2023 annual contract performance evaluation.

On 30 December 2022, the Operation Development Company successfully renewed the 2023 entrusted property operation and maintenance management agreement for the Baguang toll station of Yanba Expressway with the Shenzhen Public Transportation Facility Management Office, with a contract amount of RMB17.93 million and a term of one year, from 1 January to 31 December 2023. On 1 January 2024, the Operation Development Company won the bid for this project again and renewed the service contract, with a contract amount of RMB17.93 million and a term of one year, from 1 January to 31 December 2024.

On 28 March 2023, the Operation Development Company successfully won the bid for the operation and management project of the Xiufeng, Tangbei and Henggang toll stations of the Shenzhen Transportation Bureau, which mainly provides operation and maintenance management services for six toll stations and 45 lanes, including the Xiufeng and Tangbei stations of Qingping Expressway Phase II, and the Henggang station of Yanpai Expressway. The project contract follows the “annual renewal in three years” model. The first phase contract was signed during the Reporting Period, with a term of one year, from 10 April 2023 to 9 April 2024.

The Engineering Development Company undertook the municipal road maintenance business in the entirety of Pingshan District, and some sub-districts in Guangming and Bao'an Districts through bidding in 2021. The contract follows the "annual renewal in three years" model, with a contract amount of approximately RMB273 million/year and a term of three years, from 1 January 2021 to 31 December 2023. During the Reporting Period, the Engineering Development Company performed all management and maintenance tasks in strict conformity with the requirements. On 13 December 2023, the Engineering Development Company again won the bid for two sections of the new phase of the routine road facility maintenance project of Longgang District for a period of three years, from 1 January 2024 to 31 December 2026. The contract will be renewed once a year, with an estimated total contract amount of approximately RMB507 million for three years. In addition, in 2023, the Engineering Development Company undertook 57 new maintenance projects with a total amount of approximately RMB33 million.

By actively expanding upstream and downstream management and maintenance markets, the Group has not only increased its sources of income, but also developed the ability to provide professional highway management and maintenance services to society, laying a solid foundation for the Group's future market expansion. For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the contents in "Financial Analysis" below and the relevant contents in Note V\48 to the Financial Statements in this announcement.

### **(3) Development and Management of Land Projects**

Since 2012, the Group has prudently explored business types such as comprehensive land development related to the main business of highways and the urban renewal business arising from land use planning adjustment along expressways in order to revitalise land assets and improve the comprehensive utilisation value of assets as a beneficial supplement to highway project investment and the Group's businesses.

#### **◆ Guilong Regional Development Project**

The model of "build-transfer" and supporting land development is applied to the Guilong Project, which enables the Group to gain business and management experience to explore the Guizhou regional market and develop suitable business models. Following the Guilong Project, the Group has signed contracts with the Longli County Government or its platform company to jointly construct the Longli River Bridge and Bimeng Projects.

As at the end of the Reporting Period, Guishen Company in which the Company holds 70% equity interests indirectly had successfully won the bid for the land of the Longli Project with an area of approximately 3,038 mu (approximately 2,030,000 square metres) in aggregate, in which the interests in approximately 1,610 mu had been transferred, 1,075 mu was under secondary development, and the remaining land was under planning. The project subject to independent secondary development by Guishen Company is named as "Youshan Villa". As at the end of the Reporting Period, the sell-through rates of the supporting commercial properties for Block B of Youshan Villa Phase II was approximately 85%, and that of Block A of Phase III both exceeded 99%; Block C of Phase III had been completed, of which the supporting commercial properties had been fully sold, and the villas were being sold; the supporting commercial properties of Block B of Phase III were under construction.

#### ◆ Meilin Checkpoint Renewal Project

United Land, in which the Company holds 34.3% equity interests, principally engages in the investment, development and operation of the Meilin Checkpoint Urban Renewal Project. The Meilin Checkpoint Renewal Project is developed in three phases. The residential units of Phase I Hefengxuan, Phase II Heyaxuan and Phase III Hesongxuan have been sold out. The project also includes a complex building of offices, commercial properties and business apartments with an area of approximately 190,000 square metres. As at the end of the Reporting Period, the sell-through rate of the business apartments was approximately 41%; the commercial properties were mostly self-operated and offered for sale at a low proportion; and the offices had not been offered for sale.

#### ◆ Xintang Project

Before the Company acquired Bay Area Development, Bay Area Development had actively explored the land development business along toll highways. In October 2019, Bay Area Development signed an agreement with its partner shareholder Guangdong Highway Construction Co., Ltd. for the development of land along GS Expressway, specifying that Bay Area Development accounted for 37.5% of land development rights along the expressway in Guangzhou and 57.5% in Shenzhen, and land development rights along the expressway in Dongguan would be determined by the dominating party.

The Xintang Project is the first land development project in which Bay Area Development participates. After a partner shareholder for development is introduced, Bay Area Development holds 15% equity interests in the project indirectly. The project involves the comprehensive development of approximately 196,000 square metres of traffic land in Xintang Town, Zengcheng District, Guangzhou. Its residential and supporting facility construction is planned to be implemented in three phases. As at the end of the Reporting Period, Xintang Project Phase I had been completed, and was undergoing inspection and delivery; Phase II had achieved approximately 88% progress in physical shape; the supporting road south of the reconstructed Xintang interchange had commenced. For details of the Xintang Project, please refer to the Company's announcement dated 10 August 2021 and Bay Area Development's Annual Report 2023.

#### (4) Development and Management of Other Infrastructure

The Guangming Wellness Project controlled by the Investment Company comprises the Guangming Xincun Community Integrated Service Centre Pilot Project (光明新村社區綜合服務中心試點項目) and the Fenghuang Jiulongtai Community Integrated Service Centre Pilot Project (鳳凰玖龍台社區綜合服務中心試點項目) (collectively referred to as the "Two Guangming Community Projects"), as well as the Guangming District Social Welfare Home Project (光明區社會福利院項目). The concession cooperation period of the Guangming Wellness Project is 20.5 years (including a construction period of 0.5 year), in which the Two Guangming Community Projects are positioned as community embedded elderly care service complexes, and the Guangming District Social Welfare Home Project is positioned to provide high-quality elderly care services. In July 2022, the Guangming Two Communities Projects were officially put into operation, providing all-round convenience services such as community canteen, childcare, elderly activities and public welfare services; the Guangming District Social Welfare Home Project was put into operation in April 2023. During the Reporting Period, the community integrated service centre under the Investment Company also won the bid for seven social service projects in Guangming and Fenghuang Sub-districts.

Shenzhen Expressway One Apartment Management Co., Ltd. (深圳市壹家公寓管理有限公司), in which the Investment Company holds 60% equity interests, mainly engages in the long-term rental apartment business in Fuyong and Songgang, Shenzhen. As at the end of the Reporting Period, the rental rate of the Songgang Project was 90%, and that of the Fuyong Project 73%.

## **5. Industrial-Financial Integration**

The Company holds approximately 3.44% equity interests in Bank of Guizhou, which was listed on the main board of the Hong Kong Stock Exchange (stock code 06199.HK). For the business development of Bank of Guizhou, please refer to its Annual Report 2023.

Providing financial leasing services to the main businesses, and upstream and downstream businesses of the Group through the Financial Leasing Company is an important way for the Group to realise "industry and finance integration", and the business collaboration strategy. During the Reporting Period, the Financial Leasing Company kept leveraging its financing services and collaborative expansion capabilities in the field of environmental protection. In addition, it actively explored market-oriented projects in the fields of transportation infrastructure and logistics. In 2023, the Financial Leasing contracted financial leasing projects in the amount of RMB547 million. As at the end of the Reporting Period, the contracts of the Financial Leasing Company being performed amounted to RMB2.29 billion, in which approximately RMB2.098 billion had been invested.

The Company holds 45% equity interests in Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry MA Investment Partnership (Limited Partnership) (佛山市順德區晟創深高速環科業並購投資合夥企業(有限合夥)) ("Shengchuang Fund"). As at the end of the Reporting Period, the total paid-in capital of the fund was RMB300 million, in which the Company's contribution was RMB135 million. The fund is managed by Guangdong Shengchuang Investment Management Co., Ltd. (廣東晟創投資管理有限公司), and invested mainly in four types of operational projects, namely industrial hazardous waste treatment, solid waste disposal, wastewater treatment, wind power and other new energy sources. As at the end of the Reporting Period, Shengchuang Fund had completed investment in two projects.

The Company holds approximately 7.48% equity interests in Shenzhen State-owned Assets Collaborative Development Private Fund Partnership (Limited Partnership) (深圳國資協同發展私募基金合夥企業(有限合夥)) ("State-owned Assets Collaborative Development Fund"). The overall size of the fund is RMB4.01 billion, in which the Company's contribution is RMB300 million. The fund is managed by Shenzhen Kunpeng Zhanyi Equity Investment Management Co., Ltd. (深圳市鯤鵬展翼股權投資管理有限公司), and invested mainly in utilities including environmental protection, new energy and infrastructure, as well as financial and strategic emerging industries.

## **6. Other Businesses**

As at the end of the Reporting Period, the Company held 22% equity interests in Yunji Intelligent (formerly known as the "Consulting Company"), which has the qualification and capability of providing consulting services throughout the process of project investment and construction.

The Group holds 51% equity interests in Digital Technology Company, which mainly engages in the information and digital businesses of transportation infrastructure, environmental protection and clean energy. During the Reporting Period, this company was implementing 10 internal information system construction projects within the Group and two external market projects.

As at the end of the Reporting Period, the Group held 10.2% equity interests in Unitoll Services in aggregate. Unitoll Services is principally engaged in the electronic clearing business for toll highways in Guangdong Province, including the investment and management of electronic toll collection and clearing systems, services, and the marketing of relevant products.

During the Reporting Period, the overall progress of the above businesses met the Group's expectation. Due to limitations in scale or investment model, the revenue and profit contribution of these businesses currently account for a small proportion in the Group. For details of other businesses during the Reporting Period, please refer to the content in Notes V\13, 14, 48, 55 and V\56 to the Financial Statements in this announcement.

#### **(IV). Analysis of Core Competitiveness during the Reporting Period**

The major toll highway projects operated and funded by the Group possess outstanding location advantages and maintain a good condition of assets. Over the years, the Group has been dedicated to the sector of transportation infrastructure, built a good reputation in the industry, and gained extensive experience in the investment, construction, operation and management of large-scale infrastructure. Currently, the Group has confirmed its strategic development direction of the dual core businesses of toll highways and general environmental protection. In the meanwhile, it has been expanding its businesses in various fields such as infrastructure construction, project development and management, and financial services related to its core businesses. By giving full play to its professional management experience and innovation capability, and leveraging its good financing capability, the Group will gradually realise industry upgrading and transformation, and the synergistic development of its two core businesses, thus keeping improving its competitive advantages.

*State-owned platform advantage of infrastructures in the Greater Bay Area.* Located in Shenzhen, the Company is a platform for the investment, construction, management and maintenance of highway and environmental infrastructure under the Shenzhen SASAC. The majority of the highway projects and certain environmental infrastructure projects funded and operated by the Company are located in Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area, providing the Company with a geographic advantage and a synergistic advantage as a state-owned platform. The Company actively seizes major strategic opportunities arising from the development of the "two regions", namely the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen, as the Pioneering Demonstration Zone of Socialism with Chinese Characteristics and the "Double-Hundred Action" for state-owned enterprise reform. The Company focuses on the new plan of innovative urban construction and integrated infrastructure services in the region, leverages the advantages as a state-owned platform to meet government demand, and thereby actively acquires opportunities of participating in high-quality highway and environmental infrastructure projects in the region to further improve the room for the Company's business development. Not only does the development of the "two-region" creates new project opportunities, it also continues to boost traffic and transportation demand, which gives impetus to the operational performance of the Company's existing highway and environmental projects. In addition, the Group actively participate in exploring the development business along the regions where Greater Bay Area highway projects are located based on the development plans of urban clusters in the region. The Group plays a synergistic role to unleash the value of the land sites for development along the regions and increase the comprehensive profitability.

*Comprehensive integrated management capability.* Since its establishment, the Company has been dedicated to the transportation infrastructure industry. Through the investment, construction, operation and management of various large-scale infrastructure projects over these years, the Company has

gained extensive experience in the investment, construction, operation and management of the heavy assets and concession businesses, established a comprehensive investment decision-making system, and a construction and operation management system, and developed comprehensive and integrated management capabilities from investment to operation. During the Reporting Period, based on this core competency, the Company, on one hand, was entrusted by the government to carry out the construction, operation, maintenance and management of a number of public projects, further providing its technologies and experience in the investment, construction and maintenance of highways or expressways, thereby strengthening the Company's position as the core platform for the investment, construction and maintenance of state-owned highways or expressways in Shenzhen. On the other hand, upon entering the solid waste resource management and clean energy business sectors with operation and management models similar to those of toll highways, the Company continued to leverage its comprehensive and integrated management capabilities in the heavy assets business, and preliminarily established its presence in related industries. In the future, the Company will further ramp up its professional, comprehensive and integrated management capabilities in the business sector of general environmental protection to enhance its market competitiveness.

***Innovation capability.*** The Company has been focusing on reforms and innovation. In terms of business development strategy, through carefully studying the market conditions and industry development trends and aligning with its own characteristics, the Company took an innovative move to adopt the general-environmental protection industry as its second largest core business upon its transformation and upgrading, and continued to further gain the business exposure during the Reporting Period, laying the foundation for enhancing the core business and sustainable corporate development of the Group. In the field of transportation infrastructure, based on changes in the industry environment and target needs of stakeholders, the Group applies innovative business models such as the acquisition of toll highway services by the government, and cooperative investment in construction and expansion projects, which not only meet government needs for transportation planning, and economic and social development, but also bring reasonable business return to the Group, thereby realising the development and breakthrough of the Group's core business of toll highways. Meanwhile, the Company has been focusing on the innovation in the professional areas. The Company conducted R&D in and applied new technologies, new materials, new techniques and new models together with partner suppliers in key construction projects with innovative designs and construction concepts. Overcoming a number of technical problems, the Company has obtained various scientific research results in the industry. Currently, in response to the current trend of rapid development in digital information technology, the Group actively promotes the research and application of intelligent transportation / environmental protection technologies. Actively utilising its innovation capability in various sectors, the Company strives for innovation and transformation to continually improve its operation and development performance.

***Good financing platform.*** Listed in both Shanghai and Hong Kong, the Company has a good financing platform for the capital markets in both places. In the meanwhile, the Company has been maintaining high domestic and overseas credit ratings, and good long-term cooperative relationships with banks and other financial institutions, and establishing smooth financing channels, enabling it to raise funds for corporate development and control financial costs effectively. For details of the Company's financial strategies, capital management and financing arrangements, please refer to "Financial Analysis" below.

## 4.2 Financial Analysis

In 2023, the Group recorded a net profit attributable to owners of the Company (“net profit”) of RMB2,327,197,000 (2022 (restated): RMB2,016,497,000), representing a YOY increase of 15.41%, mainly due to the restorative growth in traffic volume of toll highways operated and invested by the Group, as well as a reduction in the exchange loss related to foreign currency liabilities, etc.

### (I). Analysis of Main Business

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

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year (restated)	Change (%)
Revenue	9,295,304	9,372,583	-0.82
Cost of services	5,949,384	6,353,596	-6.36
Selling expenses	19,786	35,575	-44.38
General and administrative expenses	483,183	443,719	8.89
Financial expenses	1,240,207	1,386,671	-10.56
Research and development expenses	33,477	46,477	-27.97
Investment income	1,504,853	1,533,897	-1.89
Income tax expenses	529,803	529,322	0.09
Net cash flows from operating activities	4,094,812	3,369,490	21.53
Net cash flows from investing activities	-923,610	-3,439,060	-73.14
Net cash flows from financing activities	-4,409,044	-2,337,202	88.65

- ① Reasons for changes in revenue: mainly due to the combined effect of the increase in revenue arising from the restorative growth of traffic volume of the ancillary toll highways, and the YOY decrease in revenue recognition arising from the free transfer of the concession rights of Wuhuang Expressway to the government authorities upon expiry in December last year and the close completion of the entrusted construction and management projects.
- ② Reasons for changes in cost of services: mainly due to the decrease in operating costs of toll highways resulting from the adjustment of the unit amortisation amount of the ancillary toll highways, the free transfer of the concession rights of Wuhuang Expressway to the government authorities upon expiry in December last year, the YOY decrease in the construction volume of entrusted construction and management projects, etc.
- ③ Reasons for changes in selling expenses: mainly due to the streamlining of salespersons of subsidiaries, and the decrease in sales planning expenses and sales commission of Guilong Development Project.
- ④ Reasons for changes in general and administrative expenses: mainly due to the reversal of prior years' bonuses in the previous year and the YOY increase in depreciation and amortisation and property management fees of the newly purchased office buildings in the current year.
- ⑤ Reasons for changes in financial expenses: mainly due to the combined effect of the increase in interest expenses resulting from the rise in the interest rates of foreign currency loan arising from the increase in overseas HIBOR interest rates; the decrease in interest income with declining cash on hand; the decrease in exchange losses as a result of the lower depreciation of RMB in the current period than the same period last year, etc.
- ⑥ Reasons for changes in research and development expenses: mainly due to the decrease in research and development investment of Nanjing Wind Power and Bioland.
- ⑦ Reasons for changes in investment income: mainly due to the combined effect of the restorative growth in traffic volume of the invested toll highway projects, the capital reduction of United Land in the previous year, and the concentrated delivery of properties by United Land in the current year.
- ⑧ Reasons for changes in net cash flows from operating activities: mainly due to the YOY increase in revenue from the Group's ancillary toll highways.
- ⑨ Reasons for changes in net cash flows from investing activities: mainly due to the recovery of investments in wealth management products in the current period and the payment of the consideration for the acquisition of equity interests in SIICHIC in the same period last year, etc.
- ⑩ Reasons for changes in net cash flows from financing activities: mainly due to the effect of repayment of part interest-bearing liabilities in the current period, etc.

For detailed reasons for the change in the items above, please refer to the analysis below.

## 1. Analysis of Revenue and Cost

During the Reporting Period, the Group recorded revenue of RMB9,295,304,000 (2022: RMB9,372,582,000), representing a YOY decrease of 0.82%, mainly due to the combined effect of the increase in revenue arising from the restorative growth in traffic volume of the ancillary toll highways, and the YOY decrease in revenue recognition arising from the free transfer of the concession rights of Wuhuang Expressway to the government authorities upon expiry in December last year and the close completion of the entrusted construction and management projects. After deduction of the impact of Wuhuang Expressway in the same period last year, the Group's revenue recorded a YOY increase of 3.16%, in which toll revenue recorded a YOY increase of 16.44%. The detailed analysis is as follows:

Unit: '000 Currency: RMB

Revenue item	Amount for the current period	Proportion (%)	Amount for the corresponding period of last year	Proportion (%)	Change (%)	Description
Revenue from main business – toll highways	5,374,901	57.82	4,978,341	53.12	7.97	①
Revenue from main business – clean energy power generation	652,330	7.02	691,633	7.38	-5.68	②
Revenue from main business – solid waste recycling treatment – kitchen waste treatment	715,684	7.70	554,356	5.91	29.10	③
Revenue from main business – solid waste recycling treatment – vehicle dismantling and comprehensive battery utilisation	221,897	2.39	392,030	4.18	-43.40	④
Revenue from main business – other environmental protection business	28,343	0.30	119,200	1.27	-76.22	⑤
Revenue from other businesses – entrusted construction and management	509,116	5.48	887,796	9.47	-42.65	⑥
Revenue from other businesses – real estate development	89,710	0.97	164,812	1.76	-45.57	⑦
Revenue from other businesses - revenue from construction services under concession arrangements	1,346,855	14.49	1,256,227	13.40	7.21	⑧
Revenue from other businesses - other businesses	356,468	3.83	328,187	3.51	8.62	⑨
<b>Total revenue</b>	<b>9,295,304</b>	<b>100.00</b>	<b>9,372,582</b>	<b>100.00</b>	<b>-0.82</b>	

### Description:

- ① Toll revenue increased by 7.97%, mainly due to the combined effect of the increase in revenue from the restorative growth in traffic volume of the ancillary toll highways and the decrease in revenue arising from the expiry of the concession rights of Wuhuang Expressway in December last year. After deduction of the impact of Wuhuang Expressway in the same period last year, the toll revenue of the Group's ancillary toll highways recorded a YOY increase of 16.44% on the same basis.  
Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business of the Company during the Reporting Period" above. Breakdown of revenue by specific items is set out in "Breakdown of Main Business by Industry, Product and Region" below.
- ② The revenue from clean energy power generation decreased by 5.68%, mainly due to the YOY decrease in wind power generation revenue of Xinjiang Mulei resulting from limited wind resources for in the current period.
- ③ The revenue from kitchen waste treatment, including the revenue from project construction, operation and equipment sales, increased by 29.10%, mainly due to the increase in operating income from the kitchen waste treatment projects of Bioland and the incremental revenue contributed by Lisai Environmental and Shaoyang Project.
- ④ The revenue from vehicle dismantling and comprehensive battery utilisation decreased by 43.40%, mainly due to the decrease in revenue related to comprehensive battery utilisation resulting from the impact of the price decline of raw material in the lithium battery industry on Shenshan Qiantai.
- ⑤ The revenue from other environmental protection business decreased by 76.22%, mainly due to the decrease in sales revenue of equipment such as wind turbines of Nanjing Wind Power in the current period.

- ⑥ The revenue from entrusted construction and management decreased by 42.65%, mainly due to the YOY decrease in the recognised revenue from entrusted construction and management services resulting from the close completion of Longli River Bridge Project and Bimeng Project.
- ⑦ Real estate development revenue decreased of 45.57%, mainly due to the decrease in the number of delivered units of Guilong Development Project in the current period.
- ⑧ The Group recognised the revenue from construction services under concession arrangements of projects, such as kitchen waste treatment, Coastal Phase II, Jihe Expressway reconstruction and expansion, and Guangming Environmental Park, pursuant to the Interpretation of Accounting Standards for Business Enterprises (No.14). The construction quantity implemented in the current period is higher than those of last year, and the construction service revenue recognised based on progress records a YOY increase.
- ⑨ The revenue from other businesses increased by 8.62%, mainly due to the business growth of Asphalt Technology Company.

**(1) Breakdown of Main Business by Industry, Product and Region**

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highways	5,374,901	2,666,989	50.38	7.97	-4.75	Increase by 6.63 pct. pt
Solid waste recycling treatment	937,581	961,453	-2.55	-0.93	6.10	Decrease by 6.79 pct. pt
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Outer Ring Expressway	1,193,681	386,705	67.60	25.03	-13.80	Increase by 14.59 pct. pt
Qinglian Expressway	679,621	529,908	22.03	10.43	24.98	Decrease by 9.07 pct. pt
Jihe East	679,248	281,550	58.55	7.38	-3.91	Increase by 4.87 pct. pt
Jihe West	546,821	127,368	76.71	16.68	2.42	Increase by 3.24 pct. pt
Shuiguan Expressway	635,794	554,347	12.81	11.26	8.31	Increase by 2.37 pct. pt
Coastal Expressway	629,309	325,335	48.30	30.84	12.00	Increase by 8.70 pct. pt
Yichang Expressway	432,005	203,947	52.79	11.69	-3.08	Increase by 7.19 pct. pt
Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	5,052,506	2,769,999	45.18	13.01	2.70	Increase by 5.50 pct. pt

Note: The breakdown of main businesses by industry, product and region only lists the part of toll road sections that account for 10% and more of the Company's revenue or operating profit.

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

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 50.38%, representing a YOY increase of 6.63 percentage points, mainly due to the increase in toll revenue arising from the restorative growth in traffic volume of the ancillary toll highways. The gross profit margin of Outer Ring Expressway grew considerably, mainly due to the high increase in revenue in the current period and the reduction in unit amortisation of its concession intangible assets since 1 January 2023; the gross profit margin of Coastal Expressway increased significantly, mainly due to the increase in toll revenue in the current period; the gross profit margin of Yichang Expressway grew considerably, mainly due to the increase in toll revenue and the decrease in related costs in the current period; the gross profit margin of Qinglian Expressway decreased, mainly due to the increase in unit amortisation of its concession intangible assets since 1 January 2023.

## (2) Analysis of Cost of Services

During the Reporting Period, the cost of services of the Group amounted to RMB5,949,384,000 (2022: RMB6,353,596,000), representing a YOY decrease of 6.36%, mainly due to the decrease in costs resulting from the expiry of the concession rights of Wuhuang Expressway in December last year and the decrease in the construction volume of entrusted construction and management projects. After deduction of the impact of Wuhuang Expressway in the same period last year, the Group's costs of services recorded a YOY decrease of 3.53%.

Unit: '000 Currency: RMB

Breakdown by industry							
Industry	Cost item	Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period last year	Amount for the corresponding period last year as a percentage of total costs (%)	YOY change (%)	Description
Cost of main business – toll highways	Employee expenses	483,413	8.13	463,898	7.30	4.21	①
	Road maintenance expenses	281,904	4.74	296,921	4.67	-5.06	
	Depreciation and amortisation	1,745,378	29.34	1,752,790	27.59	-0.42	
	Other business costs	156,294	2.63	286,474	4.51	-45.44	②
	<b>Subtotal</b>	<b>2,666,989</b>	<b>44.84</b>	<b>2,800,083</b>	<b>44.07</b>	<b>-4.75</b>	
Cost of main business – clean energy power generation		275,803	4.64	269,389	4.24	2.38	
Cost of main business – solid waste recycling treatment – kitchen waste treatment		709,442	11.92	533,766	8.40	32.91	③
Cost of main business – solid waste recycling treatment – vehicle dismantling and comprehensive battery utilisation		252,011	4.24	372,415	5.86	-32.33	④
Cost of main business – other environmental protection business		18,193	0.31	113,376	1.78	-83.95	⑤
Cost of other business – entrusted construction and management		373,946	6.29	690,320	10.87	-45.83	⑥
Cost of other business – real estate development		63,826	1.07	119,695	1.88	-46.68	⑦
Cost of other business – cost of construction services under concession arrangements		1,346,855	22.64	1,256,227	19.77	7.21	⑧
Cost of other business – other businesses		242,319	4.07	198,325	3.12	22.18	⑨
<b>Total cost of services</b>		<b>5,949,384</b>	<b>100.00</b>	<b>6,353,596</b>	<b>100.00</b>	<b>-6.36</b>	

### Other Information of Cost Analysis:

- ① Mainly due to the increase in labour costs as a result of the increase in the number of employees of the toll collection series of the ancillary toll highways.
- ② Mainly due to the expiry of the concession rights of Wuhuang Expressway in December last year and the reduction in related costs of Yichang Company.
- ③ The cost of kitchen waste treatment, including the cost of project construction, operation, and equipment sales, increased by 35.00% YOY, mainly due to the incremental costs of Lisai Environmental and Shaoyang Project, and the increase in cost of the organic waste treatment business of Bioland with the increase in revenue.
- ④ Mainly due to the business volume decrease of Shenshan Qiantai.
- ⑤ Mainly due to the decrease in sales of wind power equipment in the current period.
- ⑥ Mainly due to the YOY decrease in construction volume of projects such as Longli River Bridge Project and Bimeng Project.
- ⑦ Mainly due to the YOY decrease in the number of delivered units of Guilong Development Project resulting in a corresponding decrease in real estate development costs carried forward.
- ⑧ During the Reporting Period, the Group recognised the cost of construction services under concession arrangements of projects, such as kitchen waste treatment, Coastal Phase II, Jihe Expressway reconstruction and expansion, and Guangming Environmental Park, pursuant to the Interpretation of Accounting Standards for Business Enterprises (No.14). The construction volume implemented in the current period is higher than those of last year, and the construction service costs recognised based on progress records a YOY increase.
- ⑨ Mainly due to the increase in business volume of Asphalt Technology Company in the current period.

### (3) Major customers and major suppliers

#### A. Major Sales Customers of the Company

Given the nature of the Group's business, the target customers of toll highways are not specific. Apart from toll revenue, the total revenue of the top 5 customers of the Group was RMB1,125,960,000, accounting for 12.11% of the overall revenue of the Group, of which none was sales from related parties.

#### B. Major Suppliers of the Company

The purchases from the Group's top 5 suppliers amounted to RMB10,971,300,000, accounting for 26.05% of the Group's total purchases for the year, of which none was purchased from related parties.

## 2. Expenses

The Group's selling expenses for the Reporting Period amounted to RMB19,786,000 (2022: RMB35,575,000), representing a YOY decrease of 44.38%, mainly due to the streamlining of personnel and expenses of the environmental protection segment, and the YOY decrease in sales planning expenses and sales commissions of Guilong Development Project.

The Group's general and administrative expenses for the Reporting Period amounted to RMB483,183,000 (2022: RMB443,719,000), representing a YOY increase of 8.89%, mainly due to the reversal of prior years' bonuses at the same period last year and the YOY increase in depreciation and amortisation and property management fees of the newly purchased office buildings for the year.

The Group's financial expenses for the Reporting Period amounted to RMB1,240,207,000 (2022: RMB1,386,671,000), representing a YOY decrease of 10.56%, mainly due to the combined effect of the increase in interest expenses resulting from the rise in the interest rates of foreign currency loan arising from the increase in overseas HIBOR interest rates; the decrease in interest income with declining cash on hand; the decrease in exchange losses as a result of the lower depreciation of RMB in the current period than the same period last year, etc. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2023	2022	Change (%)
Interest expenses	1,241,927	1,213,881	2.31
Less: Interest capitalised	12,346	28,808	-57.14
Interest income	70,974	130,089	-45.44
Add: Exchange loss	72,777	318,162	-77.13
Others	8,822	13,526	-34.78
<b>Total financial expenses</b>	<b>1,240,207</b>	<b>1,386,671</b>	<b>-10.56</b>

The Group's research and development expenses for the Reporting Period amounted to RMB33,477,000 (2022: RMB46,477,000), representing a YOY decrease of 27.97%, mainly due to the decrease in the research and development investment of Nanjing Wind Power and Bioland.

During the Reporting Period, the Group's income tax expenses amounted to RMB529,803,000 (2022 (restated): RMB529,322,000), which was basically the same as last year.

### 3. Research and development expenses

The research and development investment mainly represented the expenses incurred in the research and development of wind power generation equipment by Nanjing Wind Power, the domestic waste treatment system by Lisai Environmental, the green recycling technology for used batteries by Shenshan Qiantai, etc.

#### Breakdown of investment in research and development:

Unit: '000 Currency: RMB

Expensed R&D investment for the current period	33,477
Capitalised R&D investment for the current period	99
Total R&D investment	33,575
Total R&D investment as a percentage of revenue	0.36
Proportion of capitalised R&D investment (%)	0.29

### 4. Investment Income

During the Reporting Period, the Group's investment income amounted to RMB1,504,853,000 (2022: RMB1,533,897,000), representing a YOY decrease of 1.89%, mainly due to the combined effect of the general restorative growth in toll revenue of toll highways invested by the Group in associates/joint ventures for the year, the recognition of real estate development income for the units delivered by United Land, and the corresponding reversal of the provision for resurfacing of roads accrued in previous years due to the proposed reconstruction and expansion of the GS Expressway, Derun Environment's investment income decreased year-on-year due to the government's reduction in sewage treatment prices, as well as the recognition of asset disposal income from the capital reduction of United Land in the previous year. The detailed analysis is as follows:

Unit: '000 Currency: RMB

Project	2023	2022	Change in amount
1. Investment income attributable to associates/joint ventures:			
Associated/joint toll highway enterprises in total	494,660	144,535	350,125
United Land	624,674	26,422	598,251
Derun Environment	178,758	256,033	-77,275
Others <sup>Note</sup>	179,676	155,698	23,978
<b>Subtotal</b>	<b>1,477,768</b>	<b>582,688</b>	<b>895,080</b>
2. Investment income from disposal of equity interests in associates	1,281	921,200	-919,919
3. Investment income from other non-current financial assets	10,964	18,622	-7,658
4. Investment income from wealth management products	14,632	9,385	5,246
5. Others	209	2,001	-1,792
<b>Total</b>	<b>1,504,853</b>	<b>1,533,897</b>	<b>-29,043</b>

Note: Others are attributable to the investment income from Yunji Intelligent, Bank of Guizhou, Shengchuang Fund, Guizhou Hengtongli, Huaian Zhongheng, Fengrunjiu, Fenghe Energy, etc.

## 5. Cash Flow

**Descriptions on the reasons for changes in net cash flows from operating activities:** During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB4,094,812,000 (2022: RMB3,369,490,000), representing a YOY increase of RMB725,322,000, mainly due to the increase in toll revenue of ancillary toll highways. In addition, the recurring cash return on investments<sup>Note</sup> from toll highway invested in associates/joint ventures during the Reporting Period amounted to RMB532,248,000 (2022: RMB747,407,000), representing a YOY decrease of RMB215,159,000, mainly due to the decrease in dividends received from GS Expressway and GZ West Expressways during the Reporting Period as compared with that for the same period of the previous year.

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

**Descriptions on the reasons for changes in net cash flows from investing activities:** During the Reporting Period, the Group's net cash outflow from investing activities decreased by approximately 2.515 billion yuan year-on-year, mainly due to the recovery of the investment in wealth management products in the current period and the payment of the consideration for the acquisition of equity interests in SIICHIC in the same period of the previous year.

**Descriptions on the reasons for changes in net cash flows from financing activities:** During the Reporting Period, the Group's net cash outflows increased by approximately RMB2,072 million YOY, mainly due to the impact of repayment of part of interest-bearing liabilities in the current period.

## 6. Amortisation Policies of Concession Intangible Assets for Toll Highways and the Differences of Different Amortisation Methods

The Group's concession intangible assets for toll highways are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure reasonableness of the amortised amount.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is generally lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using the two amortisation methods based on its share of equity interests was RMB300 million (2022: RMB478 million). The adoption of different amortisation methods had no impact on the cash flows from toll highway projects, and thus no impact on the valuation level of each project.

## (II). Analysis of Assets and Liabilities

### 1. Assets and Liabilities

As at 31 December 2023, the Group's total assets amounted to RMB67,507,469,000 (31 December 2022 (restated): RMB69,204,698,000), representing a decrease of 2.45% over the end of 2022. As at 31 December 2023, the Group's total outstanding interest-bearing liabilities amounted to RMB31,684,662,000 (31 December 2022: RMB33,330,545,000), representing a decrease of approximately 4.94% over the end of 2,22, mainly due to the payment of mature debts during the

Reporting Period. In 2023, the Group's average borrowing scale was RMB32.8 billion (2022: RMB32.9 billion), representing a YOY decrease of 0.3%.

The detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of last year	Amount as at the end of last year as a percentage of total assets (%)	Change in amount as at the end of the current period as compared with the end of last year (%)	Description
Cash and cash equivalents	2,152,368	3.19%	3,635,862	5.25%	-40.80%	(1)
Transactional financial assets	468,792	0.69%	1,112,244	1.61%	-57.85%	(2)
Bills receivable	500	0.00%	3,500	0.01%	-85.71%	(3)
Other receivables	602,215	0.89%	1,121,629	1.62%	-46.31%	(4)
Non-current assets due within one year	264,775	0.39%	196,704	0.28%	34.61%	(5)
Other current assets	497,079	0.74%	257,806	0.37%	92.81%	(6)
Long-term prepayments	356,733	0.53%	996,880	1.44%	-64.22%	(7)
Deferred tax assets	271,445	0.40%	426,637	0.62%	-36.38%	(8)
Notes payable	89,736	0.13%	228,670	0.33%	-60.76%	(9)
Contract liabilities	67,149	0.10%	30,333	0.04%	121.37%	(10)
Non-current liabilities due within one year	2,392,023	3.54%	6,380,323	9.22%	-62.51%	(11)

**Descriptions of assets and liabilities:**

- (1) Repayment of interest-bearing liabilities.
- (2) Redemption of structured deposits at maturity.
- (3) Bills receivable were cashed upon maturity.
- (4) Recovery of dividends and borrowings from associates.
- (5) Increased financing leases receivable expected to be received within one year in the financing lease business.
- (6) Increase of deposit certificates.
- (7) Delivery of apartments purchased from United Land and corresponding carryover of prepayments.
- (8) Reversal of temporary differences and deductible losses related to deferred tax assets generated by the amortisation method of intangible assets in the early stage of Coastal Expressway.
- (9) Bills payable were cashed upon maturity.
- (10) Increase in advance receipts.
- (11) Repayment of mature long-term borrowings and bonds.

**2. Overseas Assets**

**(1) Size of assets**

Including: Overseas assets RMB420,832,000 (Currency: RMB), accounting for 0.62% of the total assets. Overseas assets mainly consist of part of the H shares of Bank of Guizhou held by Mei Wah Company, a wholly-owned overseas subsidiary of the Company, and the bank deposits of Mei Wah Company and its subsidiaries placed abroad, which account for a small proportion of the Company's total assets.

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

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

Restricted assets with secured loans balance as at the end of the Reporting Period					
Assets	Type	Beneficiary of security	Scope of security	Balance of secured loans as at the end of the Period (RMB 100 million)	Term
Toll collection rights of Qinglian Expressway	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB2.839 billion	23.61	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway	Pledge	China Development Bank Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB1 billion	0.3	Until repayment of all liabilities under the loan agreement
Toll collection rights of Shuiguan Expressway	Pledge	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB600 million	2.65	Until repayment of all liabilities under the loan agreement
Equity interests, concession rights, accounts receivable and production equipment, among other assets, of various subsidiaries of Bioland	Pledge, mortgage	Various banks	The scope of security covers principal and interests of bank loans for various projects in an aggregate amount of RMB866 million	5.93	Certain periods after the repayment of liabilities
100% equity interests in Qianzhi, Qianhui and Qianxin Companies	Pledge	Industrial and Commercial Bank of China Shenzhen Futian Sub-branch	Principal and interests of loans for acquisition in an aggregate amount of not more than RMB609 million	2.13	Until repayment of all liabilities under the loan agreement
Land use rights of Shenshan Qiantai	Mortgage	Shanghai Pudong Development Bank Shenzhen Branch	Principal and interests of working capital loans in an aggregate amount of RMB150 million	0.96	Until repayment of all liabilities under the loan agreement
Accounts receivable accruing under concession rights of Guangming Company and Lisai Environmental	Pledge	Bank of China Shenzhen CBD Sub-branch	Principal and interests of fixed asset loans in an aggregate amount of RMB820 million	1.41	Until repayment of all liabilities under the loan agreement
Rentals receivable under 9 projects (Shanxi Nuohui, etc.) of Financial Leasing Company	Pledge	Bank of China Shenzhen CBD Sub-branch, CMB Wing Lung Bank	Principal and interests of working capital loans in an aggregate amount of RMB305 million	2.99	Until repayment of all liabilities under the loan agreement
Tariff collection rights of Yongcheng Zhuneng	Pledge	Agricultural Bank of China Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB185 million	1.7	Until repayment of all liabilities under the loan agreement
Pledge on tariff collection rights of Mulei Project	Pledge	China Construction Bank Urumqi Sub-branch	Principal and interests of project loan in an amount of RMB1.843 billion	13.98	Until repayment of all liabilities under the loan agreement

Pledge of tariff collection rights of Baotou Lingxiang, Ningyuan, Ningxiang, Ningfeng and Nanchuan Projects	Pledge	Agricultural Bank of China Shenzhen Branch, China Merchants Bank Baotou Branch	Principal and interests of project loan in an amount of RMB1.181 billion	2.37	Until repayment of all liabilities under the loan agreement
Pledge of 98.393% equity interests in SIICHIC	Pledge	3 banks, including Ping An Bank, and China Merchants Bank	Principal and interests of term loans with an aggregate amount of HKD10.513 billion	HKD101.74	Until repayment of all liabilities under the loan agreement

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

Type of restricted capital	Restricted amount (RMB100 million)
Funds in special deposit accounts for entrusted construction and management projects	RMB4 million
Deposit	RMB35 million
Fund frozen due to litigations	RMB158 million
<b>Total</b>	<b>RMB197 million</b>

**Details of restriction of assets:**

(1) Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in Note V\23 to the Financial Statements in this announcement.

#### 4. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, due to the combined effect of the reduced borrowing scale, the distribution of dividends for 2023, and the accumulation of operating profits, the Group's debt-to-asset ratio slightly dropped, while net borrowings-to-equity ratio and net borrowing/EBITDA indicator remained almost the same as at the end of the previous year. During the Reporting Period, foreign currency loan rates and interest expenses increased due to the increase in overseas HIBOR interest rates; the YOY increase in the Group's profitability during the Reporting Period resulted in the slight increase in interest covered multiple and EBITDA interest multiple. Given the Group's stable and robust operating cash flows, and strong capabilities in financing and capital management, the Board is of the view that the financial leverage ratios remained at a safe level at the end of the Reporting Period.

Key indicators	Amount as at the end of the current period	Amount as at the end of last year (restated)
<b>Debt-to-asset ratio</b> (total liabilities/total assets)	58.53%	60.46%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings - cash and cash equivalents)/Total equity)	106.18%	110.12%
	2023	2022
<b>Net borrowing/EBITDA</b> ((Total borrowings – cash and cash equivalents)/Earnings before interests, tax, depreciation and amortisation)	4.65	5.16
<b>Interest covered multiple</b> ((Profit before tax + interest expenses)/Interest expenses)	3.42	3.16
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	5.32	5.12

## 5. Liquidity and Cash Management

During the Reporting Period, the Group's net current assets increased as compared to the end of the previous year due to the combined effect of the decrease in capital expenditure, dividend payment and the repayment of bonds at maturity. The Group will further enhance project profitability, strengthen the overall fund arrangements for subsidiaries and key projects, adjust the financing structure to replace short-term debts with medium- to long-term borrowings, continue to optimise the capital structure, and maintain appropriate cash on hand and sufficient bank credit and debt financing lines to prevent liquidity risks.

Unit: Million Currency: RMB

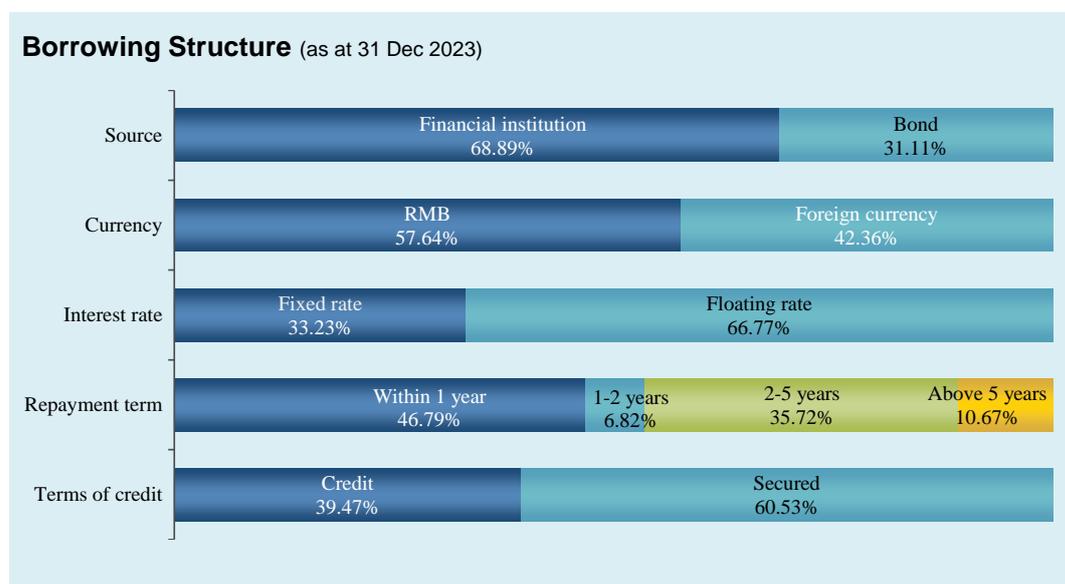
	31 Dec 2023	31 Dec 2022	Change in amount
Net current assets	-12,875	-13,946	1,072
Cash and cash equivalents	1,955	3,197	-1,242
Banking facilities available	43,740	30,462	13,278
Unused bond registration amount	9,550	7,100	2,450

## 6. Financial Strategies and Financing Arrangements

During the Reporting Period, the liquidity in the capital market remained at a reasonably sufficient level, and foreign currency loan rates increased due to the increase in overseas HIBOR interest rates, etc. Based on the demands for operating expenses and the development of project investment, the Group used its self-owned funds, bank loans, debt repayment funds, etc. to meet the capital needs such as operating and investment expenditures and debt repayment during the Reporting Period. Leveraging the favourable market opportunities, the Group issued financing bond instruments such as the corporate bonds and ultra-short-term financing bills (FIP) for debt replacement and replenishment of working capital. Leveraging the opportunity of interest rate decline, the Group also strived for bank loans with better terms through communication taking the opportunity of the interest rate cut. In view of internal and external liquidity conditions, the Company's operation, financial position and capital expenditure plan, the Company will adjust its financial strategies in a timely manner to optimise debt structure.

As at the end of the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

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



During the Reporting Period, the Company continued to maintain the highest credit rating and bond rating of AAA for domestic entities, and the existing investment grade ratings for international entities.

As of 31 December 2023, the Group had obtained banking facilities totalling approximately RMB69.5 billion. As at the end of the Reporting Period, unused banking facilities amounted to approximately RMB43.7 billion, and the Group's bond limit was RMB13.6 billion, in which RMB9.55 billion was unused as at the end of the Reporting Period.

### **Utilisation of Funds Raised**

During the Reporting Period, the Company issued three-year public green corporate bonds for 2023 (Phase 1) amounting to RMB550 million, where the fund raised would be mainly used to replace the repurchase principal of the Company's 2020 public issuance of green corporate bonds (Phase 1) ("G20 Shengao 1") used for green industry projects and project construction of Guangming Environmental Park. During the Reporting Period, the Guangming Environmental Park Project was still under construction.

## **7. Contingencies**

Details of the Group's contingencies during the Reporting Period are set out in Note XII(2) of the Financial Statements in this announcement.

## **8. Foreign Exchange Risks**

Currently, the Group's main business operations are within the territory of China; except the payment of H share dividends, the Group's operating revenue and main capital expenditures are settled in RMB. During the Reporting Period, in order to avoid the impact of the actual foreign exchange loss caused by exchange rate fluctuations, the matured borrowings in USD were replaced by HKD. The Group held loans totalling USD300 million and HKD12.474 billion in aggregate at the end of the Reporting Period without making any foreign currency hedging arrangement. The amount included in financial expenses due to exchange rate fluctuation during the Reporting Period was RMB72,777,000. The impact on the Group is not significant, and the exchange rate risk is generally controllable. For details, please refer to Note IX\1.1.1 to the financial statements in this announcement.

### **(III). Analysis of the Investment**

#### **(1). Material Equity Investments**

During the Reporting Period, the Group had no significant equity investment.

#### **(2) Material Non-equity Investments**

During the Reporting Period, the Group's expenditures on material non-equity investments mainly comprised the construction of Outer Ring Expressway, Guangming Environmental Park, Coastal Phase II, etc., totalling approximately RMB2.014 billion. The Company meets the relevant investment expenditure with a combination of self-owned funds and debt financing. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Name of item	Project amount	Project progress	Amount invested during the Reporting Period	Accumulated amount invested	Project income
Outer Ring Project (Phases I, II and III)	14,947,036	64.4%	434,739	6,532,051	For the operation of Outer Ring Project (Phases I and II), please refer to the analysis of main business for the Outer Ring Project above. The other construction projects are still underway.
Coastal Phase II	1,000,000	91.0%	321,615	698,544	
Jihe Expressway Reconstruction and Expansion (early stage)	/	/	440,119	1,591,130	
Multiple kitchen waste projects of Bioland	/	/	44,607	1,297,913	
Guangming Environmental Park Project	958,100	99%	259,456	616,943	
Shaoyang Project	320,000	/	150,000	310,000	(1) Environmental Company, a wholly-owned subsidiary of the Company, acquired concession rights for kitchen waste collection, transfer and treatment in the Shaoyang Project at a consideration of RMB320 million through bidding. This project operates in the TOT model, and is currently at the operation stage. (2) During the Reporting Period, the Shaoyang Kitchen Waste Treatment Project operated well, contributing a net profit attributable to owners of the Company of approximately RMB7,112,000.
<b>Total</b>	/	/	<b>1,650,536</b>	<b>11,046,582</b>	/

### (3) Financial Assets/Liabilities at Fair Value

Unit: '000 Currency: RMB

Asset class	Opening balance	Gains and losses from changes in fair value in the current period	Changes in cumulative fair value included in equity	Provision for impairment in the current period	Purchase amount in the current period	Sales/redemption amount in the current period	Other changes	Closing balance	Note
Others	763,265	130,605	-	-	1,200	-	-	895,069	(1)
Others	901,440	-	-	-	0	-581,067	-	320,372	(2)
Others	210,804	-	-	-	-	-	-62,384	148,420	(3)
<b>Total</b>	<b>1,875,509</b>	<b>130,605</b>	<b>0</b>	<b>0</b>	<b>1,200</b>	<b>-581,067</b>	<b>-62,384</b>	<b>1,363,862</b>	

#### Explanation on financial assets/liability at fair value:

- (1) Mainly due to the holding of equity interests such as Shenzhen Water Planning, Unitoll Services, and State-owned Assets Collaborative Development Fund.
- (2) Mainly being structured deposits.
- (3) Mainly being the VAM compensation for performance commitment.

#### (IV). Sale of Major Assets and Equity

During the Reporting Period, the Company did not sell any major assets and shares.

#### (V). Analysis of Major Controlling Companies and Participating Companies

##### 1. Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	31 December 2023		2023			Main business
			Total assets	Net assets	Revenue	Operating profit	Net profits	
Outer Ring Company	100%	6,500,000	7,809,857	6,686,988	1,387,502	848,911	730,555	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway
Qinglian Company	76.37%	3,361,000	5,757,903	3,047,695	683,198	73,841	55,943	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
Qinglong Company	50%	324,000	1,423,700	810,575	640,175	74,907	58,860	Development, construction, toll collection and management of Shuiguan Expressway
Yichang Company	100%	345,000	2,381,527	1,290,787	432,005	221,742	174,931	Construction, operation and management of Yichang Expressway
Shenchang Company	51%	200,000	455,935	345,714	270,476	173,926	130,841	Development, construction, toll collection and management of the northwest section of Changsha Ring Expressway
Investment Company	100%	400,000	3,183,661	1,495,931	232,627	16,657	1,672	Investment in industry and engineering construction
Bioland	92.29%	505,439	4,255,914	2,350,769	630,532	-123,767	-129,673	Research and development of organic waste treatment technology with focus on kitchen waste, manufacturing of core equipment, investments in construction, operation and maintenance, etc.
New Energy Company	100%	2,251,990	5,969,408	2,977,371	652,992	264,278	241,086	Investment and operation of wind power projects
SIICHIC	100%	USD50	16,798,834	-385,387	953,328	108,827	-186,368	SIICHIC directly holds 71.83% equity interests in Bay Area Development, and Bay Area Development mainly holds equity interests in GZ West Expressway, GS Expressway and Zhentong Industrial.
Derun Environment	20%	1,000,000	65,449,824	18,076,354	13,515,673	2,409,393	893,788	Derun Environment is a comprehensive environmental enterprise with two subsidiaries listed on the main board of A shares including Chongqing Water (50.04% equity interests) and Sanfeng Environment (43.86% equity interests). The main businesses of these companies include water supply and sewage treatment, and investment, construction, integrated equipment and operation management of waste incineration power generation projects, as well as environmental remediation.
United Land	34.3%	714,286	7,750,810	2,135,682	6,572,073	2,411,911	1,821,206	Responsible for land acquisition, house demolition, project construction and sale for the project as the applicant and legal entity for the Meilin Checkpoint Urban Renewal Project

Note 1: The companies listed in the above table are the major companies controlled or participated by the Company.

Note 2: Relevant data is consolidated, and has been adjusted with factors such as premium amortisation.

Note 3: The net profit listed in the above table is the net profit of such companies which is attributable to owners of the Company, the net asset are the net asset of such companies which is attributable to owners of the Company.

Note 4: For details of the operational and financial performance of the above major controlling companies and participating companies and their businesses during the Reporting Period, please refer to related contents in this section.

Note 5: Bioland recorded a loss during the Reporting Period, mainly because construction progress, the quantities of equipment sold, and kitchen waste collected, transferred and treated were less than expected, when some projects entered commercial operation, borrowing interests, depreciation and amortisation became costs and expenses, etc.

**2. Analysis of Major Controlling Companies and Participating Companies whose net profit or investment income has an impact of 10% or more to the net profit attributable to the owners of the Company during the Reporting Period**

Unit: '000 Currency: RMB

Company name	Shareholding (controlling/participating) by the Group	Net profit/investment income during the Reporting Period	Proportion of net profit/investment income to the net profit attributable to owners of the Company during the Reporting Period(negative numbers are listed as absolute values)	Amount of revenue from main businesses during the Reporting Period	Cost of principal business during the Reporting Period	Profit from main business during the Reporting Period
Outer Ring Company	Wholly-owned subsidiary of the Company	730,555	31.39%	1,193,681	386,705	806,976
New Energy Company	Wholly-owned subsidiary of the Company	241,086	10.36%	651,082	282,889	368,192
Nanjing Wind Power	Non-wholly-owned subsidiary of the Company	-328,649	14.12%	1,780	14,655	-12,876
United Land	Associate owned as to 34.3% by the Company	624,674	26.84%	6,567,609	2,745,438	3,822,171

**3. Acquisition and Disposal of Subsidiaries during the Reporting Period**

(1) During the Reporting Period, the subsidiaries acquired by the Group were Shenzhen Expressway Shengneng Technology Co., Ltd., Shenzhen Jinshen New Energy Co., Ltd., Guizhou Ziyun Jinshen New Energy Co., Ltd., Xingren Yuansheng New Energy Co., Ltd., Duyun Jinxin New Energy Co., Ltd., Pingshan County Jishen New Energy Technology Co., Ltd., Hunan Yichang Expressway Operation and Management Co., Ltd., and Ya'an Shenzhen Expressway Bioland Environmental Protection Technology Co., Ltd. by way of new establishment, as well as Zhangshu Gaochuan New Energy Co., Ltd. in the form of business merger not under common control.

(2) During the Reporting Period, Shenzhen Expressway Advertising Company Limited, Harbin Lingfeng New Energy Co., Ltd., Shenzhen Expressway SUEZ Environment Company Limited and Xuanwei Nanfeng New Energy Co., Ltd. (a subsidiary of Nanjing Wind Power) were deregistered.

(3) Details of the scope of consolidation are set out in Note VI to the financial statement of this announcement.

**(VI). Proposed Profit Distribution**

The Company's 2023 net profits attributable to owners of the Companies in its consolidated statements and the net profits of the parent company in its statements audited based on CASBE were RMB2,327,197,196.81 and RMB3,073,902,818.48, respectively. Pursuant to the relevant PRC regulations and the Articles of Association, the Company withdrew its statutory common reserve fund of RMB288,734,726.30 for the year of 2023. The Board recommended to distribute a final dividend of RMB0.55 per share (tax inclusive) in cash to all shareholders for the year ended 31 December 2023, based on the total share capital of 2,180,770,326 shares at the end of 2023, with an aggregate amount of RMB1,199,423,679.30, which accounts for 56.03% of the net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2023 after excluding the investment income payable to the holders of the perpetual bonds. The residual balance upon distribution shall be carried forward to the next year. No capital reserve was converted into share capital during the year. The aforesaid proposal will be submitted for approval at the 2023 Annual General Meeting of the Company.

## 1. Formulation, Implementation or Adjustment of Cash Dividend Policy

The Company has always been pursuing to reward its shareholders and has been distributing cash dividends for 26 consecutive years since its listing.

According to the Articles of Association, the Company should implement a positive cash dividend policy on the principle of paying attention to reasonable returns for shareholders, and also to meet sustainable operation and development needs. The Articles of Association clearly specify the dividend distribution standard and the lowest percentage of annual dividends, and formulate a sound decision-making procedure and mechanism. If the Company is to adjust its profit distribution policy or is unable to develop/implement a profit distribution proposal according to the policy, this shall be submitted to the general meeting for approval with a special resolution.

According to the Shareholders' Return Proposal for 2021-2023 approved by the general meeting of the Company, in the event that the conditions for cash dividend distribution are satisfied, the Company will endeavor to increase the proportion of cash dividend in 2021-2023. Besides, the profit intended for cash dividend will not be less than 55% of the net profits attributable to owners of the Company in the consolidated statements for the same year after excluding the distribution payable to the holders (if any) of other equity instruments such as perpetual bonds, provided the financial and cash status of the Company are good and neither issue of substantial investment plans or cash expenditures exist.

The 2023 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirements of the Articles of Association and the Shareholders' Return Proposal. While formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of the relevant factors. The Company is also able to listen to the opinions of the Independent Directors and the shareholders through various channels, and give regard to the demands and legitimate interests of the minority investors.

## 2. Plans/Proposals of Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company in the Past Three Years

Unit: Yuan Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares	Dividend (RMB) for every 10 shares (tax inclusive)	Number of share (share) for conversion of capital reserve into share capital for every 10 shares	Cash dividend (tax inclusive)	Net profit in consolidated statements for the year of distribution <sup>Note</sup>	Percentage of dividend over the net profit in consolidated statements(%)
2023 (Proposal)	0	5.50	0	1,199,423,679.30	2,140,641,641.26	56.03
2022	0	4.62	0	1,007,515,890.61	1,827,556,901.46	55.13
2021	0	6.20	0	1,352,077,602.12	2,606,254,756.43	55.88

Note 1: The net profits attributable to the ordinary shareholders of the listed company in the consolidated statements for the years of dividend distribution of 2021 and 2022 in the above table were data before restatement.

Note 2: The net profits attributable to the ordinary shareholders of the listed company in the consolidated statements for the year of dividend distribution of 2023 have excluded the investment income payable to the holders of the perpetual bonds.

## 4.3 Outlook and Plans

### (I). Development Strategies of the Company

Based on the in-depth study of both the internal and external environments as well as the Company's core competencies, the Company has formulated its development strategies for the "14th Five-Year Plan" period (2021-2025), which were considered and approved by the general meeting in December 2021.

**The overall development strategy** of the Company is to seize the opportunities of the times arising from the process of building the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen into pilot socialist demonstration areas with Chinese characteristics in a market-oriented and innovation-driven manner, enhance its advantages in the toll highway industry and actively expand into the featured environmental protection and integrated clean energy industries, thereby building a smart Shenzhen Expressway and facilitating the high-quality sustainable development of the Company.

**The strategic goals** will be to expand its presence nationwide while staying focus on Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area, and to provide cities with solutions of sustainable development featuring "innovation, intelligence, environmental protection and high efficiency", thereby striving to become a first-class infrastructure construction and operation service provider including transportation via highway and environmental protection that realises growth of scale, optimisation of organisation, enhancement of capabilities and improvement of systems.

**For the toll highway sector**, the Group will "consolidate and enhance the toll highway business by such means as carrying out new construction projects, expansion projects, mergers and acquisitions (M&A) and resources consolidation, at the same time actively expanding the business of investment, construction, management and maintenance of expressways and high-speed roads, extending the operating periods of toll highway projects, and maintaining the leading advantages of its core highway business by increasing the scale of highway assets, promoting cost reduction and efficiency improvement, and refining its management. The Company will also actively explore upstream and downstream market-oriented projects along the industry chain with focus on intelligent upgrading, and comprehensive management and maintenance business."

**For the general environmental protection sector**, the Group will "enhance and build up its operation capability with focus on solid waste recycling treatment and clean energy power generation, hence securing a leading position in these industry segments. New investments or acquisitions of equity interests in wind farms or photovoltaics power stations will be made with an aim to develop an integrated clean energy system with Shenzhen Expressway characteristics. Meanwhile, the Group will explore and moderately invest in other opportunistic high-quality environmental protection projects such as scrap vehicle dismantling and municipal environmental protection."

In addition, the Group will continue to activate existing resources, and promote the development and utilisation of land along expressways. The Group will explore and develop new businesses closely associated with Shenzhen Expressway's own resources, such as new urban construction and combination of industry and finance.

### (II). Operation Plans

2024 is a year in which the Group implements its strategic goals for the "14th Five-Year Plan" deeply, forge ahead and overcome difficulties. Adhering to these goals, and seizing the opportunities of the times arising from the process of building the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen into pilot socialist demonstration areas with Chinese characteristics, the Group will make all efforts to promote operation management, investment and M&A, major project construction, digital transformation and upgrading, and other priorities with focus on the dual-core businesses of "toll highways and general environmental protection" under the philosophy of high-quality development,

thereby contributing to the national dual-carbon goal and the long-term blueprint of beautiful China building. Based on the analysis and expectations of the operating environment and operating conditions, the Group expects that income and operating costs of the main business will remain stable in 2024. The working goals and focuses for the Group in 2024 are as follows:

- ❧ **Toll Highway Business:** The Group will deeply tap into internal potential, refine and implement cost reduction and efficiency improvement plans, improve the level of refined operation and management, and road traffic efficiency and service quality by intelligent means, and keep expanding the service advantages and brand influence of comprehensive management projects. By focusing on the construction of toll highways, and the reconstruction and expansion of existing highways, the Group will coordinate the construction of major projects, fully commence the construction of Outer Ring Phase III in this year, strive to implement the Jihe Expressway Reconstruction and Expansion Project in this year, and ensure that Coastal Expressway Phase II is completed and opened to traffic together with Shenzhen-Zhongshan Tunnel. The Group will promote the development of intelligent innovation, strengthen the integration of digital technology and the core businesses, keep improving the coverage of digital technology in major project construction and road operation and maintenance, and enhance the standardisation level of construction, operation and maintenance management. The Group will pay constant attention to investment and M&A opportunities of high-quality projects in the market, and expand the core business of toll highways when appropriate; take opportunities such as highway reconstruction and expansion to promote the development and utilisation of land resources along highways, and improve the overall investment efficiency of toll highways.
- ❧ **General-Environmental Protection and Other Businesses:** With focus on the segments of recovery and solid waste management and clean energy power generation, the Group will acquire high-quality project resources, and learn advanced technologies and management experience in cooperation with industry-leading enterprises; construct newly acquired environmental protection projects properly, and strengthen the independent development capability of projects. The Group will keep improving the standardised operation and control system for clean energy power generation projects to consolidate and strengthen its core competencies. The Group will optimise the business and organisational structures of the kitchen waste treatment segment, orderly promote the technological upgrading and transformation of some projects, and improve the quality and efficiency of existing projects properly. The Group will strengthen the technological R&D capability of Shenshan Qiantai, explore product application scenarios, strengthen in-depth cooperation with upstream and downstream customers, and enhance its own competitiveness and risk resistance. The Group will rationalise business models and management systems of M&A projects, strengthen the management and integration of underperforming projects, and activate assets and recover funds as soon as possible; promote the integration of industry and finance, and the coordinated development of all business segments of the Group.
- ❧ **Financial Management and Corporate Governance:** The Group will fully promote the digital transformation of finance, and further improve budget management level and fund utilisation efficiency to reduce financial risks. The Group will pay close attention to changes in the external policy environment, adjust funding strategies timely, and manage and coordinate funds effectively. The Group will explore diversified financing channels, promote capital market financing tasks such as the issuance of A-shares to specific targets and bond issuance, optimise the corporate financing structure, reduce financial costs, and provide financial support for the construction of major projects during the strategic period. The Group will further strengthen the classified management and financial control of its subsidiaries, and keep improving their market competitiveness through precise authorisation and power delegation. Based on its actual business situation, the Group will keep optimising the corporate governance structure, establish a compliance management system in all aspects, adhere to high-level information disclosure, and ensure the high-quality and sustainable development of the Company.

### (III). Capital Expenditure Plan

As of the date of approval of this announcement, the capital expenditures approved by the Board of the Group mainly include the construction expenditures for the Outer Ring Project, Coastal Phase II, the kitchen waste projects of Bioland, Guangming Environmental Park and other projects, as well as the preliminary expenses for the photovoltaic project in Pingshan County, Hebei, etc. It is estimated that by the end of 2026, the total capital expenditure of the Group approved by the Board will be approximately RMB8.869 billion. The Group plans to satisfy such capital needs with its own capital and bank borrowings. The Group's financial resources and financing capacity are currently adequate to meet the various capital expenditure needs.

The Group's capital expenditure plans approved by the Board from 2024 to 2026 are as follows:

Unit: '000 Currency: RMB

Project name	2024	2025	2026	Total
<b>I. Investment in intangible assets and fixed assets</b>				
Outer Ring Project (Phases I, II and III)	914,865	1,889,893	1,983,599	4,788,357
Coastal Phase II	294,839	-	-	294,839
Jihe Expressway Reconstruction and Expansion	1,695,746	1,218,124	-	2,913,870
Kitchen waste projects of Bioland	372,128	130,629	9,000	511,757
Guangming Environmental Park Project	243,568	389	30,233	274,190
Shaoyang Kitchen Waste Treatment Project	16,177	353	-	16,530
Lisai Environmental technological renovation project	6,360	10,751	-	17,111
Balance of renovation of the office property on 35th-48th floors of Hanking Centre	-	17,983	-	17,983
Pavement structural reinforcement of Changsha Ring Road	9,453	-	-	9,453
Preliminary expenditures for the photovoltaic project in Pingshan County	13,955	-	-	13,955
Shengneng Energy Technology Project	4,683	-	-	4,683
<b>II. Equity Investment</b>				
Acquisition of Lisai Environmental	6,475	-	-	6,475
<b>Total</b>	<b>3,578,249</b>	<b>3,268,122</b>	<b>2,022,832</b>	<b>8,869,203</b>

Note 1: The investment and financing plan for the Jihe Expressway Reconstruction and Expansion Project has not been finalised yet.

### (IV). Risk Management

By actively identifying, evaluating and responding to risk issues in its operation, the Company has applied risk management to all aspects, including corporate strategies, decision-making, operations and finance. For details of the establishment and operation of the Company's risk management system, please refer to the "Internal Control" section in this annual report. Currently, the Company focuses on internal and external risk issues in respect of policies, operation management, investment expansion, financing and construction management.

## **1. Industry and Policy Risks**

### ***Risk position / analysis:***

In 2024, the global economy is facing more uncertainties than before geopolitical and economic tensions are further intensifying, and the instability of the international financial situation has led to significant fluctuations in interest and exchange rates in recent years, increasing exchange and financial risks of the Group's foreign currency debts. With the slowdown in domestic economic growth and increase in uncertainties in social expectations, industries such as transportation, kitchen waste treatment and new energy generation that are closely related to the macroscopic social and economic situation may result in lower-than-expected vehicular traffic, kitchen waste collection and treatment capacity, and on-grid power generation for the Group.

The Group's toll highway and general environmental protection businesses are closely related to the national industry policies. The amended Regulations on the Administration of Toll Highways (《收費公路管理條例》) have not been promulgated. As such, changes to the tolling period and the approval principles of charging standards remain uncertain, and no market-based fixation and regulation mechanism has been established; regulatory policies on the environmental industry are tightening with rising industry standards, and both penalties for violations of laws and regulations and the capital requirements for project owners have thus been elevated; as the wind power industry enters an era of grid parity, the income level of wind power projects may be affected. In addition, the pricing power of toll highways and general environmental protection projects invested by the Group is dominated by the government. The government's price fixation or adjustment during a project's operation period will directly affect the project's actual income level. If the government's price fixation or adjustment is lower than expected, lower-than-expected actual return on investment of the Group's relevant projects may arise.

### ***Management / response measures:***

The 2024 Central Economic Work Conference clearly stated that the fundamentals of China's economy have remained unchanged, and its risk resistance and international competitiveness remain relatively strong. In 2024, with the implementation of policies to boost economic development, the Chinese economy will make steady progress, remain stable first and make breakthroughs later, and show a positive trend in the long run. The Group will always pay attention to trends of interest and exchange rates, reserve financial resources in advance, and adjust interest rate, the risk exposure of exchange rates timely through loan swaps and other means to reduce financial costs.

The Group's strategies for "14th Five-Year Plan" period have entered the home stretch. The Group will keep a close watch on and collect relevant policy information, study long-term impacts of industry policy changes on the Group's relevant businesses, analyse internal and external environmental changes, make timely strategic reviews, and promote the steady development of the "dual-core business" strategy. In addition, the Group will accelerate digital transformation, implement the concept of refined operation and management, and maintain the leadership of the toll highway business through orderly investment expansion, standardised operation, lean management, potential tapping, efficiency improvement, etc. As for the general environmental protection business, the Group will strive for opportunities of cooperation with industry-leading enterprises such as major central and state-owned enterprises, acquire high-quality project resources, introduce advanced technologies and management experience, and improve core competencies, thereby enhancing the resilience to external business environment changes. In addition, the Group will further strengthen communication with competent government authorities, strive for favourable policy conditions, and strengthen risk prediction and analysis in project investment to improve the risk resistance of projects.

## **2. Operational Management Risks**

### ***Risk position / analysis:***

The national strategic plan to establish China's strength in transportation clearly defines requirements for promoting digital transformation of highways and accelerating the construction of smart highways, thereby placing stricter requirements on the Group's technical reserves, talent team, financial strength and management level; in addition, as government and public requirements and standards for expressway traffic efficiency, maintenance level, driving safety, emergency rescue, etc. keep rising, the Group is facing greater challenges in operation and management. In recent years, guided by the strategies for the "14th Five-Year Plan" period, the Group has stepped up investment and M&A efforts in the general environmental protection sector. However, some environmental protection projects have not developed as expected, and the business structure and management system need to be further rationalised; in addition, power generation hours of wind farms may fluctuate with changes in wind resources and on-grid conditions, the actual collection and transfer volume of kitchen waste treatment projects may be lower than expected, and many factors such as increased costs of collection, transfer and treatment, insufficient oil and grease recovery, and selling price fluctuation may affect the actual profitability of general environmental protection projects.

### ***Management / response measures:***

The Group has completed the transformation of toll stations and the switching of the toll collection system under the ETC model according to the overall national arrangements. Through technologies such as 5G, satellite positioning, remote intelligent monitoring, and drone road patrol, the Group has increased the speed of detecting and responding to abnormal road conditions, improved the overall traffic efficiency of the road network. The Group keeps improving the toll management and customer service quality, and doing well in road maintenance to maintain a safe and comfortable road traffic environment, and attracts more vehicles to use the Group's highways through targeted road network marketing. In the long run, this will help increase the road network traffic and toll revenue, and improve the overall operational performance of the toll highway business.

For underperforming acquired projects such as Nanjing Wind Power and Bioland, the Group will promote personnel and business integration actively and prudently, deepen cost reduction and efficiency improvement measures, further define business positioning, optimise the organisational structure, and improve the business situation. The Group will keep optimising the management structure and internal control system of new M&A projects, strengthen the integration of corporate cultures and concepts, and attach importance to communication and coordination with local competent authorities to ensure stable operating revenue.

## **3. Business Expansion Risks**

### ***Risk position / analysis:***

In recent years, nationwide highways have experienced leapfrog development, the road network has been increasingly sophisticated, the number of new projects has decreased, and construction and operation costs have risen, resulting in a decrease in return on investment. The demand for highway reconstruction and expansion projects and road maintenance is relatively higher, but it also faces high reconstruction and expansion costs, high regional barriers in the road operation and maintenance service market, etc. With the rapid development of the recovery and solid waste management and clean energy power generation industries, the number of new investors is rising, the market space in advantageous areas tends to be saturated, it becomes more difficult to obtain high-quality projects, and the profit margin of new projects is narrowing. All the above factors will challenge the development of the Group's core businesses.

***Management / response measures:***

As for the toll highway business, based in the markets of Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area, and building on its influence in advantageous areas, the Group will improve the return of projects by operating the core business of toll highways in a refined manner, promoting the implementation of high-quality regional construction and expansion projects, activating land resources, and increasing the overall utilisation value of assets; as for the general environmental protection business, the Group will make presence in advantageous areas mainly, strengthen the cooperation with industry-leading enterprises, realise the complementation of advantages, and look for high-quality targets actively to develop the market jointly.

#### **4. Financing Risk**

***Risk position / analysis:***

The Group's existing toll highway and general environmental protection businesses are both capital-intensive industries. Given increased efforts of the Group in expanding the core businesses and increasing investment in recent years, the overall scale of investment is increasing, and the Group is expecting a surge in capital expenditures in the next few years. While ensuring the repayment of mature debts and dividend distribution, the Group should also make arrangements for spending new project investments and paying existing project funds. The Group currently has a high debt-to-asset ratio and limited room of debt financing. In addition, due to factors such as global economic slowdown and US dollar interest rate hikes, if there is a capital shortage or cost increase in the market in the future, the Company may be faced with financing risks.

***Management / response measures:***

The Group's excellent financing and capital management capability is a major core advantage. The Group will manage such risk in the following manners: (1) revising capital planning on a rolling basis and controlling the overall payment schedule through early-on planning; (2) coordinating bank resources, maintaining sufficient credit lines, strengthening credit policy tracking, and domestic and overseas credit maintenance, maintaining close communication and mutual trust with financial institutions, and formulating financing plans in advance based on business needs; (3) making effective use of the multi-level capital market to expand financing channels, promoting A-share private placement and other specific tasks, performing tasks related to the issuance of REITs properly, making flexible use of debt financing instruments, reducing funding costs and improving the capital structure while meeting capital demand; and (4) making good capital planning and financing arrangements, capitalising on market opportunities to carry out debt swaps timely, keeping optimising the Company's debt structure, reducing financial costs and exchange rate risks, and improving the efficiency of resource allocation.

#### **5. Construction and Management Risks**

***Risk position/analysis:***

The main projects under construction of the Group include Outer Ring Phase III, Coastal Phase II, the expansion and renovation project under Bay Area Development, and a number of kitchen waste treatment projects, and wind power and PV power projects. The Jihe Expressway Reconstruction and Expansion Project is also expected to be implemented in 2024. The concurrent construction of a number of major projects will place extremely high requirements on project investment, cost control, construction periods, construction quality, safety management, etc. Meanwhile, the current construction cost, future operating cost, project profitability and company reputation are directly or indirectly

affected by fluctuations of building materials price, change of planning or design, new policy and technical regulations promulgated by the government or administrative measures on public affairs introduced by the government and the adjustment of development plans made by the government.

***Management/response measure:***

Project construction management capability has become one of the Group's important core capabilities after nearly 30 years of development. The Group has maintained a sophisticated and effective construction management system, and is capable of managing and controlling various types of risks in the course of project construction. For preliminary works, the Group will conduct full research, strengthen communication with design parties and the competent governmental authorities, optimise design and construction plans, overcome technical difficulties, and control project costs. In terms of contract and construction management, firstly, fully considering the adjustment of material price difference in the construction contract, and effectively reducing or transferring the risk of price fluctuation of construction materials through the contract terms; secondly, enhancing internal control and reducing changes of design by the management of changes in construction projects, and allocating responsibilities on an equality basis in terms of duties, powers and interests; thirdly, strengthening safety management, urging construction participating units to implement safety management in strict accordance with contracts, strengthening safety education and training and emergency response capabilities of operators, strictly implementing the requirements of operation specifications, strengthening the investigation and management of hidden dangers on construction sites, and carrying out multi-level cross-checking, etc.

## **V. Matters Related to Financial Statements**

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

#### **1. Impacts of changes in accounting estimates**

##### **(1) Change in accounting estimate for unit amortised amount of concession intangible assets**

In accordance with the requirements of the relevant accounting policies and systems of the Company, and taking into account the respective actual conditions of its major expressways, relevant changes has been made to the account estimates on the amortization of the concession intangible assets of Phase I and Phase II of Outer Ring Expressway since 1 January 2023; and to the account estimates on the amortization of the concession intangible assets of Guangzhou-Shenzhen section of the Beijing-Hong Kong-Macao Expressway held by the joint venture company Guangshenzhu Company and the amortization of the concession intangible assets of the western line held by the joint venture company Guangdong Guangzhou-Zhuhai West Expressway Co., Ltd. (廣東廣珠西線高速公路有限公司) since 1 November 2023, and to the account estimates on the amortization of the concession intangible assets of Yichang Expressway since 1 January 2024. Among which, the changes to the account estimates on the amortization of the concession intangible assets of Phase I and Phase II of Outer Ring Expressway reduced the Group's amortization of the concession intangible assets by approximately RMB124,982,000 in total during the Reporting Period, and increased the net profit attributable to the Company's shareholders during the Reporting Period by approximately RMB 93,737,000. The changes to the account estimates on the amortization of the concession intangible assets of Guangzhou-Shenzhen section of the Beijing-Hong Kong-Macao Expressway held by the joint venture company Guangshenzhu Company and the western line held by the joint venture company Guangdong

Guangzhou-Zhuhai West Expressway Co., Ltd. (廣東廣珠西線高速公路有限公司) increased the Group's long-term equity investment and investment income by approximately RMB 21,911,000 during the Reporting Period, and increased the net profit attributable to the company's shareholders during the Reporting Period by approximately RMB 15,738,000. The changes to the account estimates on the amortization of the concession intangible assets of Yichang Expressway did not have any impact on the Group during the Reporting Period. During the Reporting Period, the above changes in account estimates did not have significant impact on the Group's financial position and operating results.

## **(2) Change in accounting estimate for reversal of provision for resurfacing of Guangzhou-Shenzhen section of G4**

According to the relevant accounting rules and policies, and taking into account the actual situation of Guangzhou-Shenzhen section of G4, the accumulated provision balance for resurfacing that had been provided for Guangzhou-Shenzhen section of the G4 has been reversed by the end of 2023. This change in accounting estimates will increase the Group's investment income by RMB182 million and increase the net profit attributable to owners of the Company by RMB122 million during the Reporting Period.

The above changes in accounting estimates have been considered and approved at the 31<sup>st</sup> and 42<sup>nd</sup> meeting of the 9th session of the Board of the Company, respectively. For details, please refer to Note III\36 to the Financial Statements in this annual report and the relevant announcements of the Company dated 27 April 2023 and 22 March, 2024.

## **5.2 Fulfillment of performance commitment and impact on goodwill impairment test**

### **1. Nanjing Wind Power**

On 15 March 2019, Environmental Company, a wholly-owned subsidiary of the Company, entered into the "Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd" (《關於南京風電科技有限公司的股權併購協議》) ("Equity Acquisition Agreement") with 12 parties, including Nanjing Anbeixin Investment Management Co., Ltd., Jianguyin Jiangong Group Co., Ltd., PAN Ai Hua, WANG An Zheng, etc. (collectively "Party B"), and PAN Yu ("Party C"), and Environmental Company acquired a total of 30% equity interests in Nanjing Wind Power from Party B and Party C, and unilaterally increased its shareholdings to 51% via capital contribution, upon which, Party C exited from the investment and Party B undertook that the audited revenue of Nanjing Wind Power in 2019, 2020, 2021 and 2022 will be no less than RMB450 million, RMB600 million, RMB760 million and RMB950 million, respectively, while the audited net profit will be no less than RMB56 million, RMB70 million, RMB88 million and RMB106 million, respectively.

Nanjing Wind Power fulfilled its performance commitments for 2019-2020, but did not fulfil its performance commitments for 2021. The audited net losses of Nanjing Wind Power for 2021 and 2022 were RMB115.32 million and RMB230.86 million, respectively. Compared to the performance commitments, the profit gaps of Environmental Company for 2021 and 2022 were RMB103.69 million and RMB171.8 million, respectively. According to the equity acquisition agreement, if Nanjing Wind Power fails to fulfil the target performance for the third or fourth time (i.e., 2021 or 2022), the Committing Party shall transfer part or all equity interests in Nanjing Wind Power to Environmental Company as compensation gratuitously at the same proportion and according to the agreed-on calculation method, but not to exceed all equity interests in Nanjing Wind Power held by the Committing Party. As at the date of this announcement, except that one individual shareholder of Party B who held 1.96% equity interests had not entered into an agreement, the other 11 shareholders had transferred all 47.04% equity interests in Nanjing Wind Power held by them to Environmental

Company gratuitously. For the individual shareholder who has not fulfilled its obligation, Environmental Company has filed a lawsuit with the Shenzhen Intermediate People's Court, which is being tried. For details, please refer to the Company's announcement dated 9 November 2023.

The Group's goodwill arising from the acquisition of equity interests in Nanjing Wind Power was RMB156 million. Pursuant to the Asset Valuation Reports issued by Shenzhen Pengxin Asset Appraisal Co., Ltd. engaged by the Company with 31 December 2021 and 31 December 2022 as the valuation benchmark dates, the recoverable amount of the asset group containing goodwill was lower than the book value. Accordingly, the Company has recognised goodwill impairment losses of RMB110 million and RMB46 million in 2021 and 2022, respectively.

## **2. Bioland**

On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Company, entered into a capital increase and equity transfer agreement with the relevant parties to acquire not more than 68.1045% of the controlling interest in Bioland at a consideration of not more than RMB809.6 million by way of share subscription and capital increase. For details, please refer to the Company's announcement dated 8 January 2020. Pursuant to the agreement, the relevant parties, including Zhengzhou Cida Environmental Technology Co., Ltd., Beijing Shuiqi Bioland Technology Co., Ltd., Mr. SHI Junying and Mr. SHI Junhua ("Committing Party"), shall jointly undertake and guarantee in joint liability that the audited net profit attributable to owners of the Company after deducting non-recurring profit or loss of Bioland in 2020, 2021, 2022 and 2023 ("Performance Commitment Period") will be no less than RMB30 million, RMB80 million, RMB110 million and RMB140 million, respectively, while the accumulated net profit attributable to owners of the Company realised during the Performance Commitment Period will be no less than RMB360 million. If the actual cumulative net profit realised at the end of any year during the performance commitment period is less than 70% of the committed net profit accumulated during the same period, the share compensation obligation shall be triggered, and the number of shares compensated for by the Committing Party shall be limited to the shares in Bioland held by it.

Bioland fulfilled its performance commitment for 2020, but did not fulfil those for 2021-2023. According to the agreement, the Committing Party transferred 22.64 million shares in Bioland held by it to Environmental Company in September 2022 as the performance VAM compensation for 2021. On 15 October 2023, Environmental Company received an arbitration notice from the Committing Party to the Shenzhen Court of International Arbitration, requesting to change the proportion of its performance compensation liability from 33% to 1%. Environmental Company should return the remaining transferred equity to the Committing Party. Environmental Company has engaged a relevant law firm to handle this case as an agent, which is being tried.

In July 2023, Environmental Company filed arbitration with the Shenzhen Court of International Arbitration, applying for the transfer of 19.53 million shares in Bioland to Environmental Company as the performance VAM compensation for 2022, which had been pledged by the Committing Party to Environmental Company. The Shenzhen Court of International Arbitration has accepted this case; on 22 December 2023, Environmental Company submitted a property preservation application to the Qianhai Court in Shenzhen for the Committing Party based on this calculation, and a case is being filed for this application. For details, please refer to the Company's announcement dated 18 August 2023.

As at the date of this announcement, Bioland had not issued its audited report for 2023. According to the preliminary audit results prepared by the annual audit institution of the Company (which is also the annual audit institution of Bioland for 2023), Bioland is expected to record a net loss of approximately RMB100 million for 2023, and fail to fulfil its performance commitment target this year. Since there is

still a gap in making up for the performance VAM compensation for 2022 using all remaining 19.53 million shares pledged by the Committing Party to Environmental Company, Environmental Company will not confirm the performance VAM compensation income for 2023 for the moment on the prudence principle.

The Group will continue to actively take legal and other measures in the future to urge the Committing Party to fulfil its VAM liability, and protect the legitimate rights and interests of the Group effectively.

### **3. Shenshan Qiantai**

On 6 August 2020, Infrastructure and Environmental Protection Company, a wholly-owned subsidiary of the Company, entered into an agreement with Shenzhen Qiantai Energy Renewable Technology Co., Ltd. (“Shenzhen Qiantai”) and other related parties in respect of acquiring 50% equity interests in Shenshan Qiantai by way of capital increase and transfer with a total capital contribution of RMB225 million. Meanwhile, Shenzhen Qiantai undertook that the audited net profit of Shenshan Qiantai in 2021, 2022, 2023 and 2024 (“Valuation Adjustment Mechanism Period”) will be no less than RMB12.29 million, RMB18.56 million, RMB23 million and RMB28.34 million, respectively.

Shenshan Qiantai failed to fulfil its performance commitment target for 2021. According to the relevant agreements and documents, Shenzhen Qiantai paid performance compensation of approximately RMB4.78 million to Infrastructure and Environmental Protection Company in 2022. Shenshan Qiantai’s audited net profit for 2022 was RMB20.31 million, fulfilling its performance commitment target for 2022. Shenshan Qiantai has not issued its audit report for 2023. According to the preliminary financial accounting results, the net loss for the year is RMB49.20 million. According to the relevant agreements, the Committing Party has pledged 15.67% equity interests in Qiantai Technology to Infrastructure and Environmental Protection Company as a compensation guarantee for the performance shortfall, and it is expected that the fair value of such equity interest can cover the income receivable from the performance compensation. Therefore, Infrastructure and Environmental Protection Company recognised performance compensation income of RMB36.10 million. The Company will urge the Committing Party to fulfil its VAM liability after the audit report of Shenshan Qiantai is officially issued.

### **5.3 Accounting Errors Occurred during the Reporting Period**

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

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

In 2023 the main changes in the scope of the consolidated financial statements of the Group are as follows:

1. 13 March 2023, the Group established a subsidiary, Shenzhen Shenzhen Expressway Shengneng Technology Co., Ltd., in which the Group indirectly holds 100% equity. Shengneng Technology have been included into the Group’s consolidated financial statements since 13 March 2023.
2. 17 March 2023, the Group established a subsidiary, Jinshen New Energy Co., Ltd., in which the Group indirectly holds 65% equity. Jinshen New Energy have been included into the Group’s consolidated financial statements since 17 March 2023.

In addition, during the Reporting Period, the Group also established several project companies to carry out large-scale environmental protection project business, and cancelled the registration of some subsidiaries including Shenzhen Expressway Advertising Co., Ltd., Harbin Lingfeng New Energy Co., Ltd., and Xuanwei Nanfeng New Energy Co., Ltd. etc. Details of the scope of consolidation are set out in Note VI to the financial statement of this announcement.

**5.5 The Consolidated Financial Statements and Notes for the Year 2023 of the Company are set out in the Appendix to this Results Preliminary Announcement.**

**5.6 Results Review**

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2023.

**5.7 Auditors' Procedures Performed on This Results Preliminary Announcement**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu Certified Public Accountants LLP, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 22 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu Certified Public Accountants LLP in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu Certified Public Accountants LLP on the preliminary announcement.

**VI. Other Matters**

**6.1 Purchase, Sale or Redemption of Securities**

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

**6.2 Compliance with the Corporate Governance Code**

During the Reporting Period, the Company has fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix C1 of the Listing Rules and there is no material deviation or breach of the code provisions occurred.

**6.3 Compliance with the Model Code**

The "Securities Transaction Code" of the Company has been adopted by the Board in accordance with Appendix C3 to the Listing Rules, as written guidelines to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix C3 to the Listing Rules, and gone beyond such standards to certain extents. After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management had complied with the standards for securities transactions as stipulated under the aforesaid code during the Reporting Period.

**6.4 Post-Reporting Period Matters**

After the Reporting Period and up to the date of this announcement, the Group has no material post-period events.

## VII. Definitions

<b>Reporting Period</b>	For the twelve months ended 31 December 2023.
<b>Reporting date</b>	The date on which this Annual Report 2023 of the Company is approved by the Board, being 22 March 2024.
<b>YOY</b>	Year-on-year change rate as compared to the same period of 2022.
<b>The Company, Shenzhen Expressway</b>	Shenzhen Expressway Corporation Limited.
<b>The Group</b>	The Company and its consolidated subsidiaries.
<b>RMB/yuan</b>	Renminbi yuan, the lawful currency of PRC.
<b>A Shares</b>	Renminbi-denominated ordinary shares of the Company which were issued in the mainland China and subscribed in RMB and are listed on SSE.
<b>H Shares</b>	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
<b>CSRC</b>	China Securities Regulatory Commission.
<b>SFC</b>	Securities and Futures Commission of Hong Kong.
<b>SSE</b>	The Shanghai Stock Exchange.
<b>SZEX</b>	The Shenzhen Stock Exchange.
<b>HKEX</b>	The Stock Exchange of Hong Kong Limited.
<b>Hong Kong</b>	Hong Kong Special Administrative Region of the PRC.
<b>Listing Rules</b>	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
<b>CASBE</b>	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
<b>State Council</b>	State Council of the People's Republic of China (中華人民共和國國務院).
<b>SASAC</b>	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
<b>NDRC</b>	National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會).
<b>MOT</b>	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部).
<b>National Energy Administration</b>	National Energy Administration of the People's Republic of China (中華人民共和國國家能源局).
<b>Ministry of Finance</b>	Ministry of Finance of the People's Republic of China (中華人民共和國財政部).
<b>Ministry of Industry and Information Technology</b>	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部).
<b>Ministry of Ecology and Environment</b>	Ministry of Ecology and Environment of the People's Republic of China (中華人民共和國生態環境部).
<b>Ministry of Housing and Urban-Rural Development</b>	Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部).

<b><i>Guangdong PDRC</i></b>	Guangdong Provincial Development and Reform Commission (廣東省發展和改革委員會).
<b><i>Shenzhen SASAC</i></b>	State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會).
<b><i>Shenzhen Transport Bureau</i></b>	Transport Bureau of Shenzhen Municipality (深圳市交通運輸局), formerly known as Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會).
<b><i>SIHC</i></b>	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司).
<b><i>Shenzhen International</i></b>	Shenzhen International Holdings Limited (深圳國際控股有限公司).
<b><i>XTC Company</i></b>	Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司), formerly known as Shenzhen Freeway Development Company Limited (深圳市高速公路開發公司).
<b><i>SGH Company</i></b>	Shenzhen Shen Guang Hui Highway Development Company Limited (深圳市深廣惠公路開發有限公司), formerly known as Shenzhen Shen Guang Hui Highway Development Company (深圳市深廣惠公路開發總公司).
<b><i>CMET</i></b>	China Merchants Expressway Network & Technology Holdings Company Limited (招商局公路網絡科技控股股份有限公司), formerly known as China Merchants Hua Jian Highway Investment Company Limited (招商局華建公路投資有限公司).
<b><i>GDRB Company</i></b>	Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司).
<b><i>Shenzhen International (Shenzhen)</i></b>	Shenzhen International Holdings (SZ) Limited (深國際控股(深圳)有限公司), formerly known as Yiwang Industry Development (Shenzhen) Company Limited (怡萬實業發展(深圳)有限公司).
<b><i>SZCDTI</i></b>	Shenzhen SEZ Construction and Development of Transportation and Investment Company Limited (深圳市特區建發交通投資有限公司), a wholly-owned subsidiary of Shenzhen SEZ Construction Development Group Co., Ltd. (深圳市特區建設發展集團有限公司).
<b><i>SIICH</i></b>	Shenzhen Investment International Capital Holdings Company Limited (深圳投控國際資本控股有限公司), a wholly-owned subsidiary of SIHC.
<b><i>SIICHIC</i></b>	Shenzhen Investment International Capital Holdings Infrastructure Company Limited (深圳投控國際資本控股基建有限公司).
<b><i>Guangming Environment</i></b>	Shenzhen Guangming Environment Technology Company Limited (深圳光明深高速環境科技有限公司).
<b><i>Guishen Company</i></b>	Guizhou Guishen Investment Development Company Limited (貴州貴深投資發展有限公司).
<b><i>Bank of Guizhou</i></b>	Bank of Guizhou Company Limited (貴州銀行股份有限公司).
<b><i>Environmental Company</i></b>	Shenzhen Expressway Environmental Company Limited (深圳高速環境有限公司).
<b><i>Infrastructure and Environmental Protection Company</i></b>	Shenzhen Expressway Infrastructure and Environmental Protection Development Company Limited (深圳深高速基建環保開發有限公司).

<b><i>Fund Company</i></b>	Shenzhen Expressway Private Equity Industrial Investment Fund Management Company Limited (深圳高速私募產業投資基金管理有限公司).
<b><i>Construction Company</i></b>	Shenzhen Expressway Construction Development Company Limited (深圳高速建設發展有限公司).
<b><i>Architecture Technology Company</i></b>	Shenzhen Expressway Architecture Technology Development Company Limited (深圳高速建築科技發展有限公司).
<b><i>Asphalt Technology Company</i></b>	Shenzhen Expressway Asphalt Technology Development Company Limited (深圳高速瀝青科技發展有限公司).
<b><i>Longda Company</i></b>	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司).
<b><i>Magerk Company</i></b>	Hubei Magerk Expressway Management Company Limited (湖北馬鄂高速公路經營有限公司).
<b><i>Meiguan Company</i></b>	Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司).
<b><i>Nanjing Third Bridge Company</i></b>	Nanjing Yangtze River Third Bridge Company Limited (南京長江第三大橋有限責任公司).
<b><i>Qinglian Company</i></b>	Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司).
<b><i>Qinglong Company</i></b>	Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司).
<b><i>Financial Leasing Company</i></b>	Shenzhen Expressway Financial Leasing Company Limited (深圳市深高速融資租賃有限公司), formerly known as Shenzhen International Financial Leasing Company Limited (深圳市深國際融資租賃有限公司).
<b><i>Shenchang Company</i></b>	Changsha Shenchang High Speed Trunk Road Company Limited (長沙市深長快速幹道有限公司).
<b><i>Digital Technology Company</i></b>	Shenzhen Expressway Digital Technology Company Limited (深圳高速公路集團數字科技有限公司).
<b><i>Shenshan Qiantai</i></b>	Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Company Limited (深圳深汕特別合作區乾泰技術有限公司).
<b><i>Investment Company</i></b>	Shenzhen Expressway Investment Company Limited (深圳高速投資有限公司).
<b><i>Outer Ring Company</i></b>	Shenzhen Outer Ring Expressway Investment Company Limited (深圳市外環高速公路投資有限公司).
<b><i>GZ W2 Company</i></b>	Guangzhou Western Second Ring Expressway Company Limited (廣州西二環高速公路有限公司).
<b><i>Coastal Company</i></b>	Shenzhen Guangshen Coastal Expressway Investment Company Limited (深圳市廣深沿江高速公路投資有限公司).
<b><i>Yangmao Company</i></b>	Guangdong Yangmao Expressway Company Limited (廣東陽茂高速公路有限公司).
<b><i>Yichang Company</i></b>	Hunan Yichang Expressway Development Company Limited (湖南益常高速公路開發有限公司).

<b><i>Yunji Intelligent (Former Consulting Company)</i></b>	Yunji Intelligent Engineering Holding Company Limited (雲基智慧工程股份有限公司), formerly known as Shenzhen Expressway Engineering Consulting Company Limited (深圳高速工程顧問有限公司).
<b><i>Operation Development Company</i></b>	Shenzhen Expressway Operation Development Company Limited (深圳高速運營發展有限公司).
<b><i>Engineering Development Company</i></b>	Shenzhen Expressway Engineering Development Company Limited (深圳高速工程發展有限公司), formerly known as Guangdong Boyuan Construction Engineering Company Limited (廣東博元建設工程有限公司).
<b><i>Mei Wah Company</i></b>	Mei Wah Industrial (Hong Kong) Limited (美華實業(香港)有限公司).
<b><i>Meiguan Expressway</i></b>	The expressway from Meilin to Guanlan in Shenzhen City. The Toll-Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains toll collection.
<b><i>Jihe Expressway</i></b>	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
<b><i>Shuiguan Expressway</i></b>	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
<b><i>Shuiguan Extension</i></b>	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City).
<b><i>Outer Ring Project</i></b>	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (referred to as Outer Ring Expressway), among which, the section with the length of 35.67 km from Shajing to Guanlan and the section with the length of 15.06km from Longcheng to Pingdi, totalling approximately 51 km (referred to as Outer Ring Phase I) has opened to traffic on 29 December 2020. The section with the length of 9.35 km from the end of Longgang Section of Outer Ring Phase I to Kengzi via Pingdi etc. (referred to as Outer Ring Phase II) has opened to traffic on 1 January 2022. The section with the length of 16.8 km from Kengzi to Dapeng (referred to as Outer Ring Phase III) has started construction in late 2023.
<b><i>Coastal Project</i></b>	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (referred to as Coastal Expressway (Shenzhen Section)) of the coastal expressway from Guangzhou to Shenzhen (referred to as Coastal Expressway). Among which, the project of the main line of Coastal Expressway (Shenzhen Section) and related facilities are referred to as Coastal Phase I, and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and related facilities are referred to as Coastal Phase II.
<b><i>Longda Expressway</i></b>	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. Starting from 0:00 on 7 February 2016, a total of 23.8 km of the Shenzhen section of Longda Expressway (i.e. the section from Longhua Shenzhen to Nanguang expressway ramp access) has been operated by toll-free with card access method, and had been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019. The Toll Section of Longda Expressway refers to the section of about 4.426 km starting from north of Songgang to Guanfo expressway, which still retains toll collection.

<b><i>Qinglian Expressway</i></b>	The expressway from Qingyuan to Lianzhou.
<b><i>Yangmao Expressway</i></b>	The expressway from Yangjiang to Maoming.
<b><i>GZ W2 Expressway</i></b>	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
<b><i>Changsha Ring Road</i></b>	Changsha Ring Expressway (North-Western Section).
<b><i>Nanjing Third Bridge</i></b>	Nanjing Yangtze River Third Bridge.
<b><i>Yichang Project</i></b>	The expressway from Yiyang to Changde in Hunan (referred to as Yichang Expressway) and Changde connection line.
<b><i>Four Expressways</i></b>	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (referred to as the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
<b><i>Jihe Expressway R&amp;E Project</i></b>	The reconstruction and expansion for the section from He'ao to Shenzhen International Airport of the Shenyang to Haikou Expressway.
<b><i>Bay Area Development</i></b>	Shenzhen Investment Holdings Bay Area Development Company Limited (深圳投控灣區發展有限公司), a red chip company listed on the HKEx, stock code: 00737.
<b><i>Xintang JV</i></b>	Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司).
<b><i>Guangshenzhu Company</i></b>	Guangshenzhu Expressway Co., Ltd, which is mainly engaged in the investment, construction, operation and management of Guangzhou-Shenzhen Expressway. Bay Area Development is indirectly entitled a 45% profit-sharing interest in Guangshenzhu Company.
<b><i>GS Expressway, Guangzhou-Shenzhen section of G4</i></b>	The Guangzhou-Shenzhen section of Beijing-Hong Kong & Macao Expressway (G4), starting from Huangcun interchange in Tianhe District, Guangzhou in the north, ends at Huanggang Checkpoint in Futian District, Shenzhen in the south, with a total length of approximately 122.8 km.
<b><i>GZ West Expressway</i></b>	Guangzhou-Zhuhai West Expressway, comprising Phase I, Phase II and Phase III, starts from Hainan interchange of Liwan District, Guangzhou in the north and to Yuehuan Interchange of Tanzhou Town, Zhongshan in the south, with a total length of approximately 98 km.
<b><i>Shenshan Environmental Park Project</i></b>	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park which is undertaken by the Group.
<b><i>Guilong Project</i></b>	The construction project of phase I of Guilong Road in Longli, Guizhou under BT model and the primary development project of relevant land which is undertaken by the Group.
<b><i>Longli River Bridge Project (Former Duohua Bridge Project)</i></b>	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company under BT model. The major part of the project is Longli River Bridge.
<b><i>Bimeng Project</i></b>	The Bimeng Garden community resettlement project in Longli, Guizhou is undertaken by the Group with BT model.
<b><i>Guizhou Hengtongli</i></b>	Guizhou Hengtongli Property Company Limited (貴州恒通利置業有限公司).

<b><i>Land of Longli Project</i></b>	The peripheral land of Guilong Project and the Longli River Bridge Project which were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,038 mu, including 2,770 mu for Guilong Project and 269 mu for the Longli River Bridge Project.
<b><i>Meilin Checkpoint Renewal Project</i></b>	The Urban Renewal Project of Meilin Checkpoint of Minzhi Office in Longhua District, the entity which carried out the project is United Land Company and the area of the land is approximately 96,000 square meters.
<b><i>Shenzhen Water Planning</i></b>	Shenzhen Water Planning & Design Institute Company Limited (深圳市水務規劃設計院股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 301038.
<b><i>Derun Environment</i></b>	Chongqing Derun Environment Company Limited (重慶德潤環境有限公司).
<b><i>Chongqing Water</i></b>	Chongqing Water Group Company Limited (重慶水務集團股份有限公司), a company listed on the SSE, stock code: 601158.
<b><i>Sanfeng Environment</i></b>	Chongqing San Feng Environmental Industrial Group Company Limited (重慶三峰環境集團股份有限公司), a company listed on the SSE, stock code: 601827.
<b><i>Nanjing Wind Power</i></b>	Nanjing Wind Power Technology Company Limited (南京風電科技有限公司).
<b><i>Baotou Nanfeng</i></b>	Baotou Nanfeng Wind Power Technology Company Limited (包頭市南風風電科技有限公司).
<b><i>Damao Ningyuan</i></b>	Damao Ningyuan Wind Power Company Limited (達茂旗寧源風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
<b><i>Damao Ningxiang</i></b>	Damao Ningxiang Wind Power Company Limited (達茂旗寧翔風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
<b><i>Damao Ningfeng</i></b>	Damao Ningfeng Wind Power Company Limited (達茂旗寧風風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
<b><i>Damao Nanchuan</i></b>	Damao Nanchuan Wind Power Company Limited (達茂旗南傳風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
<b><i>Lingxiang Company</i></b>	Baotou Lingxiang New Energy Company Limited (包頭市陵翔新能源有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
<b><i>New Energy Company</i></b>	Shenzhen Expressway New Energy Holdings Company Limited (深圳高速新能源控股有限公司).
<b><i>Shengneng Technology</i></b>	Shenzhen Expressway Shengneng Technology Company Limited (深圳深高速晟能科技有限公司).
<b><i>Weining Energy</i></b>	State Power Investment Corporation Guizhou Jinyuan Weining Energy Company Limited (國家電投集團貴州金元威寧能源股份有限公司).
<b><i>Jinshen New Energy</i></b>	Shenzhen Jinshen New Energy Company Limited (深圳金深新能源有限公司).
<b><i>Ziyun Jinshen</i></b>	Guizhou Ziyun Jinshen New Energy Company Limited (貴州紫雲金深新能源有限公司).
<b><i>Yuansheng New Energy</i></b>	Xingren Yuansheng New Energy Company Limited (興仁市元盛新能源有限公司).

<b><i>Jinxin New Energy</i></b>	Duyun Jinxin New Energy Company Limited (都勻市金鑫新能源有限公司).
<b><i>Huai'an Zhongheng</i></b>	Huai'an Zhongheng New Energy Company Limited (淮安中恒新能源有限公司).
<b><i>SPIC Fujian Company</i></b>	State Power Investment Corporation Fujian Electric Power Company Limited (國家電投集團福建電力有限公司).
<b><i>Nanjing Avis</i></b>	Nanjing Avis Transmission Technology Company Limited (南京安維士傳動技術股份公司).
<b><i>Fenghe Energy</i></b>	Shenzhen Fenghe Energy Investment Limited (深圳峰和能源投資有限公司).
<b><i>Yongcheng Zhuneng</i></b>	The 32 MW wind power project in Yongcheng City, Shangqiu City, Henan Province.
<b><i>Zhongwei Gantang</i></b>	The 49.5 MW wind power project in Gantang, Zhongwei City, Ningxia Province.
<b><i>Xinjiang Mulei</i></b>	The wind power project of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhundong New Energy Base, including Qianzhi, Qianhui and QianXin projects.
<b><i>Qianzhi</i></b>	Xinjiang Mulei County Qianzhi New Energy Development Company Limited (新疆木壘縣乾智能源開發有限公司).
<b><i>Qianhui</i></b>	Xinjiang Mulei County Qianhui New Energy Development Company Limited (新疆木壘縣乾慧能源開發有限公司).
<b><i>Qianxin</i></b>	Xinjiang Mulei County Qianxin New Energy Development Company Limited (新疆木壘縣乾新能源開發有限公司).
<b><i>Guangming Environmental Park Project</i></b>	The Shenzhen Guangming Environmental Park Project, invested in and constructed by the Company under the BOT model.
<b><i>Bioland</i></b>	Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd (深高藍德環保科技集團股份有限公司).
<b><i>Lisai Environmental</i></b>	Shenzhen Lisai Environmental Technology Limited (深圳市利賽環保科技有限公司).
<b><i>Shaoyang Project</i></b>	The concession project of kitchen waste collection and disposal in Shaoyang, Hunan Province.
<b><i>Ya'an Project</i></b>	The concession project of harmless and resource recovery of kitchen waste treatment in Ya'an, Sichuan Province.
<b><i>Unitoll Services</i></b>	Guangdong Unitoll Services Incorporated (廣東聯合電子服務股份有限公司).
<b><i>United Land</i></b>	Shenzhen International United Land Company Limited (深圳市深國際聯合置地有限公司).
<b><i>Gaoleyi</i></b>	Shenzhen Expressway Gaoleyi Health and Elderly Care Services Limited (深圳高速高樂亦健康養老有限公司).
<b><i>Fengrunjiu</i></b>	Shenzhen Guangming Fengrunjiu Health Services Limited (深圳光明鳳潤玖健康服務有限公司).
<b><i>One Apartment</i></b>	Shenzhen Expressway One Apartment Management Company Limited (深圳市深高速壹家公寓管理有限公司).

<b><i>PPP (model)</i></b>	Public-Private-Partnership model, refers to a partnership on the basis of the concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. The PPP model ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
<b><i>BOT (model)</i></b>	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. Premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build infrastructure, manage and operate the facility and its corresponding products and services.
<b><i>EPC (model)</i></b>	Engineering Procurement Construction model means the company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.
<b><i>BIM</i></b>	Building Information Modelling, which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods.
<b><i>ETC</i></b>	Electronic Toll Collection, a system used to electronically collect tolls on highways.
<b><i>Coastal Freight Compensation Scheme</i></b>	Shenzhen Transport Bureau and the Company entered into the freight compensation agreement, wherein it is agreed that during the period from 1 January 2021 to 31 December 2024, the vehicles passing the Coastal Project should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in a one-off manner in March of the following year.
<b><i>“71118” Expressway Network</i></b>	According to the National Expressway Network Planning (2013-2023), the national expressway network adopts the layout plan combining radial and horizontal-vertical grid, forming a large road network radiating outward from the central cities and comprising 7 capital radial lines, 11 north-south vertical lines and 18 east-west horizontal lines, with a total scale of approximately 118,000 km.

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

By Order of the Board

**LIAO Xiang Wen**

*Executive Director and President*

Shenzhen, PRC, 22 March 2024

*As at the date of this announcement, the directors of the Company are Mr. LIAO Xiang Wen (Executive director and President), Mr. YAO Hai (Executive director), Mr. WEN Liang (Executive director), Mr. DAI Jing Ming (Non-executive director), Ms. LI Xiao Yan (Non-executive director), Mr. LÜ Da Wei (Non-executive director), Mr. LI Fei Long (Independent non-executive director), Mr. MIAO Jun (Independent non-executive director), Mr. XU Hua Xiang (Independent non-executive director) and Mr. YAN Yan (Independent non-executive director).*

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

*This results preliminary announcement, which has been published on the website of HKEX at <http://www.hkexnews.com.hk>, only gives a summary of the information and particulars contained in the full “Annual Report 2023” of the Company. The “Annual Report 2023” of the Company containing all the information to accompany annual report required under Appendix D2 to the Listing Rules will be subsequently published on the website of HKEX in due course.*

Appendix:

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**Consolidated Financial Statements (including notes)**

**For the Year ended 31 December 2023**

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**Financial Statements For the Year Ended 31 December 2023**

SHENZHEN EXPRESSWAY CORPORATION LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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SHENZHEN EXPRESSWAY CORPORATION LIMITED

AS AT 31 DECEMBER 2023

Consolidated Statement of Financial Position

RMB

Item	Note	31 December 2023	31 December 2022 (Restated)
<b>Current assets:</b>			
Cash at banks and on hand	V. 1	2,152,367,633.05	3,635,862,158.72
Transactional financial assets	V. 2	468,792,208.25	1,112,243,771.54
Bills receivable	V. 3	500,000.00	3,500,000.00
Accounts receivable	V. 4	967,487,093.08	1,052,263,013.07
Prepayments	V. 5	248,083,582.06	225,509,293.25
Other receivables	V. 6	602,215,140.81	1,121,628,992.41
Including: Interest receivable		-	-
Dividends receivable		-	181,376,782.72
Inventories	V. 7	1,355,564,013.49	1,314,262,956.81
Contract assets	V. 8	394,910,901.30	377,341,353.82
Non-current assets due within one year	V. 9	264,774,570.13	196,704,222.31
Other current assets	V. 10	497,079,323.91	257,805,744.15
<b>Total current assets</b>		<b>6,951,774,466.08</b>	<b>9,297,121,506.08</b>
<b>Non-current assets:</b>			
Long-term prepayments	V. 11	356,732,998.46	996,880,056.74
Long-term receivables	V. 12	2,334,935,756.66	2,152,166,502.48
Long-term equity investments	V. 13	18,715,822,120.74	17,749,069,948.37
Other non-current financial assets	V. 14	895,069,302.26	763,264,630.44
Investment properties	V. 15	23,033,992.33	26,068,821.95
Fixed assets	V. 16	7,328,858,518.97	7,209,500,786.33
Construction in progress	V. 17	289,690,234.44	225,703,626.92
Right-of-use assets	V. 18	66,201,181.97	75,412,073.15
Intangible assets	V. 19	26,809,094,107.69	26,847,604,300.36
Development expenditures		6,261,136.18	5,500,636.18
Goodwill	V. 20	202,893,131.20	202,893,131.20
Long-term prepaid expenses		39,044,962.13	53,624,450.56
Deferred tax assets	V. 21	271,445,109.37	426,637,402.74
Other non-current assets	V. 22	3,216,612,072.29	3,173,250,142.00
<b>Total non-current assets</b>		<b>60,555,694,624.69</b>	<b>59,907,576,509.42</b>
<b>Total assets</b>		<b>67,507,469,090.77</b>	<b>69,204,698,015.50</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

AS AT 31 DECEMBER 2023

Consolidated Statement of Financial Position - continued

RMB

Item	Note	31 December 2023	31 December 2022 (Restated)
<b>Current liabilities:</b>			
Short-term borrowings	V. 24	11,105,625,836.85	9,396,229,275.32
Transactional financial liabilities	V. 25	148,117,309.14	133,009,243.01
Bills payable	V. 26	89,735,513.24	228,669,880.66
Accounts payable	V. 27	2,588,545,523.67	2,812,967,920.77
Advances from customers	V. 28	623,460.97	794,329.08
Contract liabilities	V. 29	67,149,275.34	30,333,016.72
Employee benefits payable	V. 30	378,691,400.83	363,794,024.54
Taxes payable	V. 31	462,043,523.14	507,605,023.01
Other payables	V. 32	1,059,445,155.50	1,371,768,690.38
Including: Interest payable		-	-
Dividends payable		5,622,222.18	59,026,395.77
Non-current liabilities due within one year	V. 33	2,392,022,913.00	6,380,323,337.26
Other current liabilities	V. 34	1,534,478,767.90	2,017,855,853.48
<b>Total current liabilities</b>		<b>19,826,478,679.58</b>	<b>23,243,350,594.23</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	V. 35	9,567,707,809.79	9,573,248,109.29
Bonds payable	V. 36	7,159,103,456.71	5,769,517,430.62
Including: Preferred stock		-	-
Perpetual bonds		-	-
Lease liabilities	V. 37	45,614,131.00	47,738,699.35
Long-term payables	V. 38	907,277,866.27	1,148,281,363.36
Long-term employee benefits payable	V. 39	115,649,911.45	115,716,411.45
Provisions	V. 40	203,121,139.63	187,330,812.16
Deferred revenue	V. 41	388,675,627.57	474,342,722.05
Deferred tax liabilities	V. 21	1,148,490,784.95	1,281,034,171.47
Other non-current liabilities		146,667,698.70	-
<b>Total non-current liabilities</b>		<b>19,682,308,426.07</b>	<b>18,597,209,719.75</b>
<b>Total liabilities</b>		<b>39,508,787,105.65</b>	<b>41,840,560,313.98</b>
<b>Shareholders' equity:</b>			
Equity	V. 42	2,180,770,326.00	2,180,770,326.00
Other equity instruments	V. 43	4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		-	-
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve	V. 44	4,389,338,761.93	4,390,599,135.60
Other comprehensive income	V. 45	(542,304,991.67)	(408,012,206.05)
Surplus reserve	V. 46	3,218,191,232.88	3,103,651,659.99
Undistributed profits	V. 47	9,112,002,127.97	8,081,458,651.29
Total equity attributable to shareholders of the Company		22,357,997,457.11	21,348,467,566.83
Minority interests		5,640,684,528.01	6,015,670,134.69
<b>Total shareholders' equity</b>		<b>27,998,681,985.12</b>	<b>27,364,137,701.52</b>
<b>Total liabilities and shareholders' equity</b>		<b>67,507,469,090.77</b>	<b>69,204,698,015.50</b>

The attached notes form part of the financial statements

The financial statements are signed by the following persons:

Head of the Company

Chief financial officer

Head of accounting department

SHENZHEN EXPRESSWAY CORPORATION LIMITED

AS AT 31 DECEMBER 2023

Company's Statement of Financial Position

RMB

Item	Note	31 December 2023	31 December 2022 (Restated)
<b>Current assets:</b>			
Cash at banks and on hand		526,318,877.01	1,706,204,173.44
Transactional financial assets		-	450,000,000.00
Accounts receivable	XV. 1	73,932,293.18	29,184,614.09
Prepayments		10,851,866.07	12,936,861.27
Other receivables	XV. 2	3,324,788,193.27	2,505,378,219.49
Including: Interest receivable		-	-
Dividends receivable		703,407,059.90	450,000,000.00
Inventories		591,398.10	1,208,231.34
Contract assets		111,898,136.37	120,715,346.96
<b>Total current assets</b>		<b>4,048,380,764.00</b>	<b>4,825,627,446.59</b>
<b>Non-current assets:</b>			
Long-term prepayments		258,402,486.55	697,940,786.69
Long-term receivables		2,008,175,000.00	3,017,447,032.09
Long-term equity investments	XV. 3	26,127,544,368.66	25,164,612,457.19
Other non-current financial assets		841,464,700.63	709,336,660.44
Investment properties		9,495,717.00	10,071,441.24
Fixed assets		2,086,300,959.83	1,842,404,378.38
Construction in progress		46,724,482.36	7,317,459.69
Right-of-use assets		18,999,909.06	26,789,811.48
Intangible assets		2,015,580,732.15	1,779,348,086.76
Development expenditures		6,261,136.18	5,500,636.18
Long-term prepaid expenses		3,732,576.83	9,820,231.89
Deferred tax assets		-	16,570,672.22
Other non-current assets		368,811,126.55	367,227,159.65
<b>Total non-current assets</b>		<b>33,791,493,195.80</b>	<b>33,654,386,813.90</b>
<b>Total assets</b>		<b>37,839,873,959.80</b>	<b>38,480,014,260.49</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

AS AT 31 DECEMBER 2023

Company's Statement of Financial Position - continued

RMB

Item	Note	31 December 2023	31 December 2022 (Restated)
<b>Current liabilities:</b>			
Short-term borrowings		-	715,245,676.50
Bills payable		-	40,445,702.74
Accounts payable		116,630,776.46	209,756,712.61
Contract liabilities		60,739,625.54	60,739,625.54
Employee benefits payable		143,245,422.77	136,950,095.34
Taxes payable		21,430,635.58	24,092,919.85
Other payables		3,734,241,864.01	4,262,472,342.65
Including: Interest payable		-	-
Dividends payable		5,622,222.18	5,622,222.22
Non-current liabilities due within one year		1,654,878,086.36	3,429,550,429.26
Other current liabilities		1,512,594,613.40	2,016,515,923.01
<b>Total current liabilities</b>		<b>7,243,761,024.12</b>	<b>10,895,769,427.50</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		1,596,400,000.00	1,687,920,000.00
Bonds payable		7,159,103,456.71	5,769,517,430.62
Including: Preferred stock		-	-
Perpetual bonds		-	-
Lease liabilities		14,486,248.66	20,519,527.33
Long-term payables		824,596,715.85	944,646,715.85
Long-term employee benefits payable		69,919,951.40	69,919,951.40
Provisions		67,707,852.92	65,381,994.08
Deferred revenue		183,957,215.19	219,296,617.87
Deferred tax liabilities		181,660,957.43	181,670,804.94
<b>Total non-current liabilities</b>		<b>10,097,832,398.16</b>	<b>8,958,873,042.09</b>
<b>Total liabilities</b>		<b>17,341,593,422.28</b>	<b>19,854,642,469.59</b>
<b>Shareholders' equity:</b>			
Equity		2,180,770,326.00	2,180,770,326.00
Other equity instruments		4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		-	-
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve		1,873,257,038.28	1,894,077,082.82
Other comprehensive income		892,136,387.81	878,238,969.01
Surplus reserve		3,218,191,232.88	3,103,651,659.99
Undistributed profits		8,333,925,552.55	6,568,633,753.08
<b>Total shareholders' equity</b>		<b>20,498,280,537.52</b>	<b>18,625,371,790.90</b>
<b>Total liabilities and shareholders' equity</b>		<b>37,839,873,959.80</b>	<b>38,480,014,260.49</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

RMB

Item	Note	2023	2022 (Restated)
I. Operating income	V. 48	9,295,304,371.69	9,372,582,546.59
Less: Cost of services	V. 48	5,949,383,743.38	6,353,596,261.96
Taxes and surcharges	V. 49	41,369,684.77	40,442,395.71
Selling expenses	V. 50	19,785,837.28	35,575,461.38
General and administrative expenses	V. 51	483,182,984.76	443,718,875.29
Research and development expenses	V. 52	33,476,802.52	46,477,237.77
Financial expenses	V. 53	1,240,206,520.74	1,386,671,418.30
Including: Interest expenses		1,229,267,889.23	1,184,671,246.81
Interest income		70,660,968.01	129,688,062.60
Add: Other income	V. 54	45,830,015.97	31,950,022.73
Investment income	V. 55	1,504,853,457.48	1,533,896,512.10
Including: Income from investment in associates and joint ventures	V. 55	1,477,767,743.34	582,687,782.25
Gains from changes in fair value	V. 56	153,607,037.26	95,175,495.33
Credit impairment gains (losses)	V. 57	(100,207,670.89)	(83,223,668.30)
Gains (losses) on impairment of assets	V. 58	(132,225,841.52)	(164,116,480.76)
Gains on disposal of assets		13,654,355.39	7,297,414.27
II. Operating profit		3,013,410,151.93	2,487,080,191.55
Add: Non-operating income	V. 59	7,585,183.99	24,768,816.69
Less: Non-operating expenses	V. 60	105,361,709.00	27,323,961.12
III. Total profit		2,915,633,626.92	2,484,525,047.12
Less: Income tax expenses	V. 61	529,802,587.92	529,321,506.31
IV. Net profit		2,385,831,039.00	1,955,203,540.81
(I) Classified by business continuity			
1. Net profit from continuing operations		2,385,831,039.00	1,955,203,540.81
2. Net profit from discontinued operations		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of the Company		2,327,197,196.81	2,016,496,533.08
2. Profit or loss attributable to minority shareholders		58,633,842.19	(61,292,992.27)
V. Other comprehensive income, net of tax		(145,778,080.16)	(887,241,272.68)
(I) Other comprehensive income after tax attributable to shareholders of the Company		(134,292,785.62)	(834,531,987.17)
1. Other comprehensive income that cannot be subsequently reclassified to profit or loss		-	-
2. Other comprehensive income that will be reclassified to profit or loss		(134,292,785.62)	(834,531,987.17)
(1) Other comprehensive income that will be transferred to profit or loss under the equity method	V. 45	28,746,332.31	(23,265,119.18)
(2) Translation differences of financial statements denominated in foreign currencies	V. 45	(163,039,117.93)	(811,266,867.99)
(II) Other comprehensive income after tax attributable to minority shareholders		(11,485,294.54)	(52,709,285.51)
VI. Total comprehensive income		2,240,052,958.84	1,067,962,268.13
Total comprehensive income attributable to shareholders of the Company		2,192,904,411.19	1,181,964,545.91
Total comprehensive income attributable to minority shareholders		47,148,547.65	(114,002,277.78)
VII. Earnings per share			
(I) Basic earnings per share (Yuan/share)		0.982	0.839
(II) Diluted earnings per share (Yuan/share)		0.982	0.839

SHENZHEN EXPRESSWAY CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2023

Company's Statement of Profit or Loss and Other Comprehensive Income

RMB

Item	Note	2023	2022 (Restated)
I. Operating income	XV. 4	1,771,671,550.26	1,644,437,519.65
Less: Cost of services	XV. 4	892,714,673.15	950,702,559.08
Taxes and surcharges		6,887,271.19	6,702,528.59
General and administrative expenses		262,166,568.02	187,407,006.16
Financial expenses		386,903,180.07	581,792,439.72
Including: Interest expenses		442,060,588.44	569,799,489.75
Interest income		109,922,451.04	180,227,426.27
Add: Other income		2,181,096.03	2,594,660.51
Investment income	XV. 5	2,773,130,927.47	1,544,659,039.24
Including: Income from investment in associates and joint ventures		909,712,848.03	260,825,307.11
Gains from changes in fair value		132,128,040.19	24,518,156.18
Gains (losses) on impairment of assets		-	-
Gains on disposal of assets		13,379,959.71	4,788,187.49
II. Operating profit		3,143,819,881.23	1,494,393,029.52
Add: Non-operating income		204,200.02	3,828,079.29
Less: Non-operating expenses		6,117,020.54	67,011.74
III. Total profit		3,137,907,060.71	1,498,154,097.07
Less: Income tax expenses		64,004,242.23	166,697,163.78
IV. Net profit		3,073,902,818.48	1,331,456,933.29
1. Net profit from continuing operations		3,073,902,818.48	1,331,456,933.29
2. Net profit from discontinued operations		-	-
V. Other comprehensive income, net of tax		13,897,418.80	(13,753,200.00)
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		-	-
(II) Other comprehensive income that will be reclassified to profit or loss		13,897,418.80	(13,753,200.00)
1. Other comprehensive income that will be transferred to profit or loss under the equity method		13,897,418.80	(13,753,200.00)
VI. Total comprehensive income		3,087,800,237.28	1,317,703,733.29

SHENZHEN EXPRESSWAY CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Cash Flows

RMB

Item	Note	2023	2022
<b>I. Cash flows from operating activities</b>			
Cash received from rendering services and selling goods		7,812,620,547.98	7,222,429,098.33
Refund of taxes		41,977,821.15	282,860,588.71
Other cash received relating to operating activities	V. 62(1)	395,897,077.51	306,565,463.92
Sub-total of cash inflows		8,250,495,446.64	7,811,855,150.96
Cash payments for goods and services		1,736,038,423.58	1,963,299,468.74
Cash payments to and on behalf of employees		1,074,794,018.85	1,090,599,013.24
Payments of taxes and surcharges		726,589,852.51	899,902,602.92
Other cash payments relating to operating activities	V. 62(1)	618,260,923.83	488,563,954.87
Sub-total of cash outflows		4,155,683,218.77	4,442,365,039.77
Net cash flows from operating activities	V. 63(1)1	4,094,812,227.87	3,369,490,111.19
<b>II. Cash flows from investing activities</b>			
Cash received from recovery of investments		2,690,159,879.44	1,480,869,795.30
Cash received from returns on investments		756,986,014.60	974,378,888.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,341,014.23	53,589.38
Other cash received relating to investing activities	V. 62(2)	230,945,853.78	185,574,050.99
Sub-total of cash inflows		3,691,432,762.05	2,640,876,324.27
Cash payments to acquire fixed assets, intangible assets and other long-term assets		2,093,942,304.33	2,091,484,736.48
Cash payments for investing activities		2,519,144,486.09	2,447,438,617.32
Net cash payments to acquire subsidiaries and other business units		-	1,540,378,082.30
Other cash payments relating to investing activities	V. 62(2)	1,955,857.20	634,617.04
Sub-total of cash outflows		4,615,042,647.62	6,079,936,053.14
Net cash flows from investing activities		(923,609,885.57)	(3,439,059,728.87)
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		4,200,000.00	5,821,468.00
Including: Cash received by subsidiaries from capital contributions by minority shareholders		4,200,000.00	5,821,468.00
Cash received from borrowings		18,496,043,223.26	25,077,978,472.81
Other cash received relating to financing activities	V. 62(3)	-	32,136,606.04
Sub-total of cash inflows		18,500,243,223.26	25,115,936,546.85
Cash repayments of borrowings		19,816,209,101.03	23,780,445,660.77
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,716,076,080.21	2,966,159,451.85
Including: Payments for distribution of dividends or profits to minority shareholders by subsidiaries		269,215,549.27	336,754,530.31
Other cash payments relating to financing activities	V. 62(3)	377,001,658.79	706,533,897.18
Sub-total of cash outflows		22,909,286,840.03	27,453,139,009.80
Net cash flows from financing activities		(4,409,043,616.77)	(2,337,202,462.95)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		(3,941,165.62)	146,815,344.95
<b>V. Net increase (decrease) in cash and cash equivalents</b>	V. 63(1)2	(1,241,782,440.09)	(2,259,956,735.68)
Add: Cash and cash equivalents at the beginning of the year		3,197,002,667.41	5,456,959,403.09
<b>VI. Cash and cash equivalents at the end of the year</b>	V. 63(1)2	1,955,220,227.32	3,197,002,667.41

SHENZHEN EXPRESSWAY CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2023

Company's Statement of Cash Flows

RMB

Item	Note	2023	2022
<b>I. Cash flows from operating activities</b>			
Cash received from rendering services and selling goods		1,314,394,513.72	1,219,498,669.59
Refund of taxes		5,629,318.44	10,828,066.60
Other cash received relating to operating activities		59,798,827.84	1,458,601,371.90
Sub-total of cash inflows		1,379,822,660.00	2,688,928,108.09
Cash payments for goods and services		207,347,072.94	152,738,125.77
Cash payments to and on behalf of employees		259,796,985.55	275,385,740.86
Payments of taxes and surcharges		70,710,241.74	191,296,029.22
Other cash payments relating to operating activities		205,865,440.43	397,641,104.79
Sub-total of cash outflows		743,719,740.66	1,017,061,000.64
Net cash flows from operating activities		636,102,919.34	1,671,867,107.45
<b>II. Cash flows from investing activities</b>			
Cash received from recovery of investments		1,185,665,704.62	3,850,000,000.00
Cash received from returns on investments		709,986,793.77	787,124,591.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,089,541.37	-
Other cash received relating to investing activities		730,015,173.29	2,623,138,786.23
Sub-total of cash inflows		2,638,757,213.05	7,260,263,377.42
Cash payments to acquire fixed assets, intangible assets and other long-term assets		470,187,518.23	714,838,515.34
Cash payments for investing activities		900,000,000.00	1,315,808,000.00
Other cash payments relating to investing activities		273,175,000.00	2,267,000,000.00
Sub-total of cash outflows		1,643,362,518.23	4,297,646,515.34
Net cash flows from investing activities		995,394,694.82	2,962,616,862.08
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		6,473,000,000.00	8,117,925,029.86
Other cash received relating to financing activities		872,750,607.47	230,000,000.00
Sub-total of cash inflows		7,345,750,607.47	8,347,925,029.86
Cash repayments of borrowings		8,176,159,282.85	10,414,782,472.80
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,635,809,277.97	2,087,309,752.67
Other cash payments relating to financing activities		339,941,793.02	54,651,553.84
Sub-total of cash outflows		10,151,910,353.84	12,556,743,779.31
Net cash flows from financing activities		(2,806,159,746.37)	(4,208,818,749.45)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		4,941.40	24,065.57
<b>V. Net increase (decrease) in cash and cash equivalents</b>		(1,174,657,190.81)	425,689,285.65
Add: Cash and cash equivalents at the beginning of the year		1,700,172,378.10	1,274,483,092.45
<b>VI. Cash and cash equivalents at the end of the year</b>		525,515,187.29	1,700,172,378.10

SHENZHEN EXPRESSWAY CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Changes in Equity

RMB

Item	2023								
	Attributable to shareholders of the Company							Minority interests	Total shareholders' equity
	Equity	Other equity instruments Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total		
I. Balance on 31 December 2022	2,180,770,326.00	4,000,000,000.00	4,390,599,135.60	(408,012,206.05)	3,103,651,659.99	8,079,278,802.54	21,346,287,718.08	6,014,620,231.70	27,360,907,949.78
Add: Changes in accounting policies	-	-	-	-	-	2,179,848.75	2,179,848.75	1,049,902.99	3,229,751.74
II. Balance on 1 January 2023 (Restated)	2,180,770,326.00	4,000,000,000.00	4,390,599,135.60	(408,012,206.05)	3,103,651,659.99	8,081,458,651.29	21,348,467,566.83	6,015,670,134.69	27,364,137,701.52
III. Changes for the year	-	-	(1,260,373.67)	(134,292,785.62)	114,539,572.89	1,030,543,476.68	1,009,529,890.28	(374,985,606.68)	634,544,283.60
(I) Total comprehensive income	-	-	-	(134,292,785.62)	-	2,327,197,196.81	2,192,904,411.19	47,148,547.65	2,240,052,958.84
(II) Shareholders' contributions and reduction in capital	-	-	(1,260,373.67)	-	-	11,957,298.92	10,696,925.25	(152,918,605.06)	(142,221,679.81)
1. Ordinary shares contributed by Shareholders	-	-	-	-	-	-	-	-	-
2. Others	-	-	(1,260,373.67)	-	-	11,957,298.92	10,696,925.25	(152,918,605.06)	(142,221,679.81)
(III) Profit distribution	-	-	-	-	114,539,572.89	(1,308,611,019.05)	(1,194,071,446.16)	(269,215,549.27)	(1,463,286,995.43)
1. Transfer to surplus reserve	-	-	-	-	114,539,572.89	(114,539,572.89)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,194,071,446.16)	(1,194,071,446.16)	(269,215,549.27)	(1,463,286,995.43)
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to equity	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to equity	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(V) Others	-	-	-	-	-	-	-	-	-
IV. Balance on 31 December 2023	2,180,770,326.00	4,000,000,000.00	4,389,338,761.93	(542,304,991.67)	3,218,191,232.88	9,112,002,127.97	22,357,997,457.11	5,640,684,528.01	27,998,681,985.12

SHENZHEN EXPRESSWAY CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2023

Consolidated Statement of Changes in Equity - continued

RMB

Item	2022 (Restated)								
	Attributable to shareholders of the Company							Minority interests	Total shareholders' equity
	Equity	Other equity instruments Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total		
I. Balance on 31 December 2021	2,180,770,326.00	4,000,000,000.00	6,121,182,678.26	865,342,698.21	2,931,599,472.69	8,540,070,494.76	24,638,965,669.92	3,132,810,669.87	27,771,776,339.79
Add: Business combination under common control	-	-	2,742,974,733.25	(438,822,917.09)	-	(1,377,744,043.76)	926,407,772.40	2,841,514,435.00	3,767,922,207.40
Changes in accounting policies	-	-	-	-	-	(4,987,716.99)	(4,987,716.99)	(1,255,229.50)	(6,242,946.49)
II. Balance on 1 January 2022 (Restated)	2,180,770,326.00	4,000,000,000.00	8,864,157,411.51	426,519,781.12	2,931,599,472.69	7,157,338,734.01	25,560,385,725.33	5,973,069,875.37	31,533,455,600.70
III. Changes for the year	-	-	(4,473,558,275.91)	(834,531,987.17)	172,052,187.30	924,119,917.28	(4,211,918,158.50)	42,600,259.32	(4,169,317,899.18)
(I) Total comprehensive income	-	-	-	(834,531,987.17)	-	2,016,496,533.08	1,181,964,545.91	(114,002,277.78)	1,067,962,268.13
1. Net profit	-	-	-	-	-	2,016,496,533.08	2,016,496,533.08	(61,292,992.27)	1,955,203,540.81
2. Other comprehensive income	-	-	-	(834,531,987.17)	-	-	(834,531,987.17)	(52,709,285.51)	(887,241,272.68)
(II) Shareholders' contributions and reduction in capital	-	-	(1,730,583,542.66)	-	-	(16,147,788.22)	(1,746,731,330.88)	437,107,067.40	(1,309,624,263.48)
1. Ordinary shares contributed by shareholders	-	-	2,738,738.90	-	-	-	2,738,738.90	5,811,468.00	8,550,206.90
2. Others	-	-	(1,733,322,281.56)	-	-	(16,147,788.22)	(1,749,470,069.78)	431,295,599.40	(1,318,174,470.38)
(III) Profit distribution	-	-	-	-	172,052,187.30	(1,710,685,344.97)	(1,538,633,157.67)	(336,754,530.31)	(1,875,387,687.98)
1. Transfer to surplus reserve	-	-	-	-	172,052,187.30	(172,052,187.30)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,538,633,157.67)	(1,538,633,157.67)	(336,754,530.31)	(1,875,387,687.98)
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to equity	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to equity	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(V) Effects of business combination not under common control	-	-	-	-	-	-	-	56,250,000.01	56,250,000.01
(VI) Effects of business combination under common control	-	-	(2,742,974,733.25)	-	-	634,456,517.39	(2,108,518,215.86)	-	(2,108,518,215.86)
IV. Balance on 31 December 2022	2,180,770,326.00	4,000,000,000.00	4,390,599,135.60	(408,012,206.05)	3,103,651,659.99	8,081,458,651.29	21,348,467,566.83	6,015,670,134.69	27,364,137,701.52

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

**Company's Statement of Changes in Equity**

**RMB**

Item	2023						
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Total Shareholders' equity
I. Balance on 31 December 2022	2,180,770,326.00	4,000,000,000.00	1,894,077,082.82	878,238,969.01	3,103,651,659.99	6,568,408,579.38	18,625,146,617.20
Add: Changes in accounting policies	-	-	-	-	-	225,173.70	225,173.70
II. Balance on 1 January 2023 (Restated)	2,180,770,326.00	4,000,000,000.00	1,894,077,082.82	878,238,969.01	3,103,651,659.99	6,568,633,753.08	18,625,371,790.90
III. Changes for the year	-	-	(20,820,044.54)	13,897,418.80	114,539,572.89	1,765,291,799.47	1,872,908,746.62
(I) Total comprehensive income	-	-	-	13,897,418.80	-	3,073,902,818.48	3,087,800,237.28
(II) Shareholders' contributions and reduction in capital	-	-	(20,820,044.54)	-	-	-	(20,820,044.54)
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-
2. Others	-	-	(20,820,044.54)	-	-	-	(20,820,044.54)
(III) Profit distribution	-	-	-	-	114,539,572.89	(1,308,611,019.01)	(1,194,071,446.12)
1. Transfer to surplus reserve	-	-	-	-	114,539,572.89	(114,539,572.89)	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,194,071,446.12)	(1,194,071,446.12)
(IV) Others	-	-	-	-	-	-	-
IV. Balance on 31 December 2023	2,180,770,326.00	4,000,000,000.00	1,873,257,038.28	892,136,387.81	3,218,191,232.88	8,333,925,552.55	20,498,280,537.52

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

**Company's Statement of Changes in Equity - continued**

**RMB**

Item	2022 (Restated)						
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance on 31 December 2021	2,180,770,326.00	4,000,000,000.00	2,812,538,343.92	891,992,169.01	2,931,599,472.69	6,947,142,639.95	19,764,042,951.57
Add: Changes in accounting policies	-	-	-	-	-	719,524.81	719,524.81
II. Balance on 1 January 2022 (Restated)	2,180,770,326.00	4,000,000,000.00	2,812,538,343.92	891,992,169.01	2,931,599,472.69	6,947,862,164.76	19,764,762,476.38
III. Changes for the year	-	-	(918,461,261.10)	(13,753,200.00)	172,052,187.30	(379,228,411.68)	(1,139,390,685.48)
(I) Total comprehensive income	-	-	-	(13,753,200.00)	-	1,331,456,933.29	1,317,703,733.29
(II) Shareholders' contributions and reduction in capital	-	-	(918,461,261.10)	-	-	-	(918,461,261.10)
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-
2. Others	-	-	(918,461,261.10)	-	-	-	(918,461,261.10)
(III) Profit distribution	-	-	-	-	172,052,187.30	(1,710,685,344.97)	(1,538,633,157.67)
1. Transfer to surplus reserve	-	-	-	-	172,052,187.30	(172,052,187.30)	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,538,633,157.67)	(1,538,633,157.67)
IV. Balance on 31 December 2022	2,180,770,326.00	4,000,000,000.00	1,894,077,082.82	878,238,969.01	3,103,651,659.99	6,568,633,753.08	18,625,371,790.90

# SHENZHEN EXPRESSWAY CORPORATION LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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### **I. GENERAL INFORMATION OF THE COMPANY**

#### 1. Company profile

Shenzhen Expressway Corporation Limited (the "Company") is a joint stock limited company established in Guangdong Province, the People's Republic of China (the "PRC") on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of its registered office is Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen, the PRC. The head office of the Company is located at Hanking Center Tower, No. 9968, Shennan Avenue, Yuehai Street, Nanshan District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (the "Group") are the construction, operation, management, investment of toll highways and environmental protection in China. The environmental protection business mainly includes recycling and treatment of solid waste and clean energy power generation.

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

#### 2. Date of approval for issue of the financial statements

These financial statements were approved for issue by the Company's Board of Directors on 22 March 2024.

### **II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

#### Preparation basis

The Group implements the accounting standards for business enterprises and related regulations issued by the Ministry of Finance. In addition, the related financial information has been disclosed in accordance with the requirements of the *Rules on Preparation of Disclosures of Publicly Traded Company No. 15 - General Provisions on Financial Statements (Revised in 2023)*, *Hong Kong Companies Ordinance* and the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

#### Going concern

As of 31 December 2023, the Group and the Company had total current liabilities in excess of total current assets by RMB 12,874,704,213.50 and RMB 3,195,380,260.12, respectively, and the amount of capital commitments expected to be paid by the Group in the coming year amounted to RMB 3,271,948,312.22. As at 31 December 2023, the Group and the Company had unused bank credit lines totaling RMB 43,739,634,053.60 and RMB 34,550,995,000.00, respectively, which can satisfy the Group's debt and capital commitments. As the Group can solve the lack of working capital through reasonable financing arrangements, the financial statements have been prepared on a going concern basis.

**II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - continued**

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

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 measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

When the non-financial assets are measured at fair value, we should consider the market participants' ability of making economic benefits through applying the asset to the best use, or sell the assets to other market participants who can make economic benefits through applying the asset to the best use.

For financial assets whose transaction price is the fair value upon initial recognition and using valuation technique involving unobservable inputted value in subsequent measurement of fair values, the valuation technique should be adjusted during the valuation to make the results of initial recognition determined by valuation are equal to the transaction price.

Fair value measurements are categorized into Level 1, 2 or 3 based on 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 inputs within Level 1, that are observable for the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability.

### **III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

#### **1. Statement of compliance with Accounting Standards for Business Enterprises**

The financial statements present truly and completely the consolidated and Company's financial position as at 31 December 2023, and the consolidated and Company's operating results, the consolidated and Company's changes in shareholders' equity and the consolidated and Company's cash flows for the year ended 31 December 2023 in accordance with the Accounting Standards for Business Enterprises.

#### **2. Accounting period**

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

#### **3. Operating cycle**

An operating cycle refers to the period when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. Except for the real estate business, PPP/EPC construction and construction business on behalf of others, the operating cycle of the Group's business is relatively short. The classification criterion of asset and liability's liquidity is 12 months. The operating cycle of the real estate business is generally longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of PPP/EPC constructions and construction business on behalf of others are generally longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

#### **4. Functional currency**

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiary chooses its functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to prepare its financial statements.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****5. Method for determination of materiality criteria and basis for selection**

Item	Materiality criteria
Significant construction in progress	The amount is greater than or equal to RMB 30 million
Significant accounts payable aged over 1 year	The amount is greater than or equal to RMB 30 million
Significant other payables aged over 1 year	The amount is greater than or equal to RMB 30 million
Cash receipts relating to significant investing activities	The amount is greater than 10% of the subtotal of cash inflows from investing activities and is greater than or equal to RMB 100 million
Cash payments relating to significant investing activities	The amount is greater than 10% of the subtotal of cash outflows from investing activities and is greater than or equal to RMB 100 million
Significant non-wholly owned subsidiaries	The amount of revenue or net profit (in absolute value in case of loss) realized by a non-wholly owned subsidiary in the current year or the amount of any item included in total assets at the end of the year of a non-wholly owned subsidiary is greater than 5% of the amount of corresponding item in the Group's consolidated financial statements
Significant joint ventures or associates	The year-end balance of long-term equity investment in the enterprise accounts for more than 5% of the Group's total consolidated assets or the investment income (in absolute value in case of loss) recognized under the equity method for the reporting period accounts for more than 5% of the Group's total consolidated profit
Significant contingencies	The amount is greater than or equal to RMB 50 million

**6. Accounting treatment of business combinations involving entities under common control and business combinations not involving entities under common control**

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

***6.1 Business combinations involving entities under common control***

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount (or the total face value of issued shares) of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**6. Accounting treatment of business combinations involving entities under common control and business combinations not involving entities under common control** - continued

*6.2 Business combinations not involving entities under common control and goodwill*

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving entities under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

**7. Determination criteria of control and preparation of consolidated financial statements**

*7.1 Determination criteria of control*

Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will conduct reassessment.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**7. Determination criteria of control and preparation of consolidated financial statements - continued**

*7.2 Preparation of consolidated financial statements*

The scope of consolidation in the consolidated financial statements is determined on the basis of control.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ceases with the Group's losing control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving entities under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving entities under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

Influence over the consolidated financial statements arising from significant intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority shareholders is presented as "profit or loss attributable to minority shareholders" in the consolidated income statement below the "net profit" line item.

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**7. Determination criteria of control and preparation of consolidated financial statements** - continued

*7.2 Preparation of consolidated financial statements* - continued

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the shareholders' interests and minority interests of the Company are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving entities under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and carrying amount will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a 'package deal': (i) they are entered into at the same time or in contemplation of each other; (ii) they form a complete transaction designed to achieve an overall commercial effect; (iii) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; (iv) one transaction alone is not economically justified, but it is economically justified when considered together with other transactions. Where the transactions of disposal of equity investments in a subsidiary until the loss of control are assessed as a package deal, these transactions are accounted for as one transaction of disposal of a subsidiary with loss of control. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investments in a subsidiary are not assessed as a package deal, these transactions are accounted for as unrelated transactions.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**8. Classification of joint arrangements**

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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.

The Group's joint arrangement is joint venture, which is accounted for using the equity method. Refer to Note III, 18.3.2 "Long-term equity investments accounted for using the equity method".

**9. Recognition criteria of cash and cash equivalents**

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

**10. Translation of transactions and financial statements denominated in foreign currencies**

*10.1 Transactions denominated in foreign currencies*

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the gross carrying amount (other than the amortized cost) of monetary items at fair value through other comprehensive income are recognized in other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies " in other comprehensive income, and in profit or loss for the period upon disposal of the foreign operation.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Translation of transactions and financial statements denominated in foreign currencies** - continued

*10.1 Transactions denominated in foreign currencies* - continued

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit or loss or as other comprehensive income.

*10.2 Translation of financial statements denominated in foreign currencies*

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for "undistributed profits" are translated at the spot exchange rates on the dates of the transactions; income and expense items in the income statement are translated at the average rates on the dates of the transactions; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at average exchange rate for the period in which cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the statement of cash flows as "effect of exchange rate changes on cash and cash equivalents".

The closing balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the shareholders' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value (the method for determining the fair values of the financial assets and financial liabilities is set out in related disclosures under "basis of accounting and principle of measurement" in Note II). For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. Upon initial recognition of accounts receivable that does not contain significant financing component or without considering the financing component included in the contract with a term not exceeding one year under the *Accounting Standards for Business Enterprises No. 14 - Revenue* ("Revenue Standards"), the Group adopts the transaction price as defined in the Revenue Standards for initial measurement.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting periods.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortized cost of the financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (such as repayment in advance, extension, call option or other similar options etc.) (without considering the expected credit losses).

The amortized cost of a financial asset or financial liability is the initially recognized amount net of principal repaid, plus or less the cumulative amortized amount arising from amortization of difference between the amount initially recognized and the amount at the maturity date using effective interest method, and then net of cumulative provision for credit loss (only applicable to financial assets).

*11.1 Classification, recognition and measurement of financial assets*

After initial recognition, the Group's financial assets of various types are subsequently measured at amortized cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"), respectively.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group classifies such financial asset as financial assets at amortized cost, which include cash at banks and on hand, bills receivable, accounts receivable, other receivables and long-term receivables, etc.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.1 Classification, recognition and measurement of financial assets* - continued

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, the Group classifies such financial asset as financial assets at FVTOCI. The accounts receivable and bills receivable classified as at FVTOCI upon acquisition are presented under financing with receivables, while the remaining items due within one year (inclusive) upon acquisition are presented under other current assets. Other financial assets of such type are presented as other debt investments if it is due after one year since the acquisition, or presented under non-current assets due within one year if it is due within one year (inclusive) since the balance sheet date.

Upon initial recognition, the Group may irrevocably designate the non-held-for-trading equity instrument investments other than contingent considerations recognized in business combination not involving enterprises under common control as financial assets at FVTOCI on an individual basis. Such type of financial assets is presented as investments in other equity instruments.

A financial asset is classified as held-for-trading if any of the following criteria is satisfied:

- It has been acquired principally for the purpose of selling it in near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking.
- It is a derivative that is neither a financial guarantee contract nor designated as an effective hedging instrument.

Financial assets at FVTPL include financial assets classified as at FVTPL and financial assets designated as at FVTPL:

- Financial assets not satisfying the criteria of classification as financial assets at amortized cost and financial assets at FVTOCI are classified as financial assets at FVTPL.
- Upon initial recognition, the Group may irrevocably designate the financial assets as at FVTPL if doing so eliminates or significantly reduces accounting mismatch.

Financial assets at FVTPL other than derivative financial assets are presented as financial assets held-for-trading. Financial assets with a maturity over one year since the balance sheet date (or without a fixed maturity) and expected to be held for over one year are presented under other non-current financial assets.

*11.1.1 Financial assets at amortized cost*

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest method. Any gains or losses arising from impairment or derecognition are included in profit or loss.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.1 Classification, recognition and measurement of financial assets* - continued

*11.1.1 Financial assets at amortized cost* - continued

For financial assets at amortized cost, the Group recognizes interest income using effective interest rate. The Group calculates and recognizes interest income through gross carrying amount of financial assets multiplying effective interest, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest rate through credit adjustment since initial recognition.
- For purchased or originated financial assets that were not credit-impaired but have become credit-impaired in subsequent period, the Group calculates the interest income by applying the effective interest rate to the amortized cost of the financial assets in subsequent period. If the financial instrument is no longer credit-impaired due to improvement of credit risk, and the improvement is linked with an event occurred after application of above provisions, the Group will calculate the interest income by applying effective interest rate to the gross carrying amount of the financial assets.

*11.1.2 Financial assets at FVTOCI*

For financial assets classified as at FVTOCI, except for the impairment losses or gains and the interest income and exchange losses or gains calculated using the effective interest method which are included in profit or loss for the period, the fair value changes are included in other comprehensive income. The amounts included in profit or loss for each period are equivalent to that as if it has been always measured at amortized cost. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to profit or loss for the period.

Changes in fair value of non-trading equity instrument investments designated as financial assets at FVTOCI are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings. During the period in which the Group holds the non-trading equity instrument, revenue from dividends is recognized and included in profit or loss for the period when (1) the Group has established the right of collecting dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

*11.1.3 Financial assets at FVTPL*

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses on fair value changes and related dividends and interest income included in profit or loss for the period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.2 Impairment of financial instruments*

For financial assets at amortized cost, financial assets classified as at FVTOCI, lease receivables, contract assets, financial liabilities that are not at FVTPL and financial guarantee contracts that are not qualified for derecognition due to the transfer of financial assets or financial liabilities arising from continuing involvement of the transferred financial assets, the Group accounts for the impairment and recognizes the provision for losses on the basis of expected credit loss ("ECL").

For all contract assets, bills receivable and accounts receivable arising from transactions regulated by Revenue Standards, and lease receivables arising from transactions regulated by the *Accounting Standards for Business Enterprises No. 21 - Lease*, the Group recognizes the provision for losses at an amount equivalent to the lifetime ECL.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, the Group assesses whether their credit risk has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition of the financial instruments, the Group recognizes the provision for losses at an amount equivalent to lifetime ECL; if the credit risk has not increased significantly since initial recognition of the financial instruments, the Group recognizes the provision for losses at an amount equivalent to 12-month ECL. The increase or reversal of credit loss provision for financial assets other than those classified as at FVTOCI is recognized as impairment loss or gain and included in profit or loss for the period. For financial assets classified as at FVTOCI, the credit loss provision is recognized in other comprehensive income and the impairment loss or gain is included in profit or loss for the period without reducing the carrying amount of the financial assets in the balance sheet.

Where the Group has measured the provision for losses at an amount equivalent to lifetime ECL of a financial instrument in prior accounting period, but the financial instrument no longer satisfies the criteria of significant increase in credit risk since initial recognition at the current balance sheet date, the Group recognizes the provision for losses of the financial instrument at an amount equivalent to 12-month ECL at the current balance sheet date, with any resulting reversal of provision for losses recognized as impairment gains in profit or loss for the period.

*11.2.1 Significant increase in credit risk*

The Group uses reasonable and supportable forward-looking information to assess whether the credit risk has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring on the financial instrument at the date of initial recognition. For financial guarantee contracts, the date on which the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.2 Impairment of financial instruments* - continued

*11.2.1 Significant increase in credit risk* - continued

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

- (1) Significant changes in internal price indicators resulting from changes in credit risk;
- (2) Significant changes in the rates or other terms of an existing financial instrument if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher rate of return, etc.);
- (3) Significant changes in the external market indicators of credit risk of the same financial instrument or similar financial instruments with the same expected duration. These indicators include: credit spreads, credit default swap prices against borrower, length of time and extent to which the fair value of financial assets is less than their amortized cost, and other market information related to the borrower (such as the borrower's debt instruments or changes in the price of equity instruments);
- (4) An actual or expected significant change in the financial instrument's external credit rating;
- (5) An actual or expected decrease in the internal credit rating for the debtor;
- (6) 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;
- (7) An actual or expected significant change in the operating results of the debtor;
- (8) Significant increase in the credit risk of other financial instruments issued by the same debtor;
- (9) Significant adverse changes in regulatory, economic, or technological environment of the debtor;
- (10) Significant changes in the value of collaterals or the quality of guarantees or credit enhancements provided by third parties, which are expected to reduce the debtor's economic motives to repay within the time limit specified in contract or affect the probability of default;
- (11) Significant change in the debtor's economic motives to repay within the time limit specified in contract;
- (12) Expected changes to loan contract, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract;
- (13) Significant change in expected performance and repayment of the debtor;
- (14) Significant change in the method used by the Group to manage the credit of financial instrument.

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 (inclusive) past due.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.2 Impairment of financial instruments* - continued

*11.2.2 Credit-impaired financial asset*

When an event or several events that are expected to have adverse impact on the future cash flows of the financial assets have occurred, the financial assets become credit-impaired. The evidence of credit impairment of financial assets includes the following observable information:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) Breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, have granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- (6) Purchase or originate a financial asset at a significant discount which reflects the fact of credit impairment.

Based on the Group's 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 outcome of the above assessment, the Group presumes that an event of default on the financial instrument has occurred if the contractual payment of the financial instrument has been more than 90 days (inclusive) past due.

*11.2.3 Determination of expected credit losses*

The Group determines the ECL of relevant financial instruments using the following method:

- For financial assets, the credit loss represents the present value of the difference between the contractual cash flows receivable by the Group and the cash flows expected to be received by the Group.
- For lease receivables, credit losses are the present value of the difference between the contractual cash flows receivable by the Group and the cash flows expected to be collected.
- For financial guarantee contracts (see Note III, 11.4.1.2.1 for specific accounting policies), credit losses are the present value of the difference between the expected payment to be made by the Group to the contract holder for the credit losses incurred, and the amount the Group expects to receive from the contract holder, the debtor or any other parties.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.2 Impairment of financial instruments* - continued

*11.2.3 Determination of expected credit losses* - continued

The factors reflected by the Group's measurement of ECL of financial instruments include: unbiased probability weighted average amount recognized by assessing a series of possible results; time value of money; reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

*11.2.4 Write-down of financial assets*

When the Group will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Group will directly write down the gross carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

*11.3 Transfer of financial assets*

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at FVTPL.
- For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.3 Transfer of financial assets* - continued

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss. Where the transferred assets are non-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. Where the transferred assets are non-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred out and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognized as a liability upon receipt.

*11.4 Classification of financial liabilities and equity instruments*

Financial instruments issued by the Group or their components are classified into financial liabilities or equity instruments on the basis of not only the legal form but also the contractual arrangements and their economic substance, together with the definition of financial liability and equity instrument.

*11.4.1 Classification, recognition and measurement of financial liabilities*

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

*11.4.1.1 Financial liabilities at FVTPL*

Financial liabilities at FVTPL include transactional financial liabilities (including derivative financial liabilities) and financial liabilities designated as at FVTPL. Except for derivative financial liabilities which are presented separately, financial liabilities at FVTPL are presented as transactional financial liabilities.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.4 Classification of financial liabilities and equity instruments* - continued

*11.4.1 Classification, recognition and measurement of financial liabilities* - continued

*11.4.1.1 Financial liabilities at FVTPL* - continued

A financial liability is classified as held-for-trading if any of the following criteria is satisfied:

- It has been incurred principally for the purpose of repurchasing it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is neither a financial guarantee contract nor designated as an effective hedging instrument.

A financial liability may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces accounting mismatch; (2) the Group makes management and performance evaluation on a fair value basis for a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities, in accordance with the Group's formally documented risk management or investment strategy, and reports to key management personnel on that basis; (3) the qualified hybrid contract that contains embedded derivatives.

Transactional financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognized in profit or loss for the period.

For a financial liability designated as at FVTPL, the amount of changes in the fair value of the financial liability that are attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, while other changes in fair values are included in profit or loss for the current period. Upon the derecognition of such financial liability, the accumulated amount of changes in fair value that are attributable to changes in the credit risk of that liability, which was recognized in other comprehensive income, is transferred to retained earnings. Any dividend or interest expense on the financial liabilities is recognized in profit or loss. If the accounting treatment for the impact of the change in credit risk of such financial liability in the above ways would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss for the period.

For financial liabilities arising from contingent consideration recognized by the Group as the acquirer in the business combination not involving enterprises under common control, the Group measures such financial liabilities at fair value and includes the changes in financial liabilities in profit or loss for the period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.4 Classification of financial liabilities and equity instruments* - continued

*11.4.1 Classification, recognition and measurement of financial liabilities* - continued

*11.4.1.2 Other financial liabilities*

Except for financial liabilities and financial guarantee contracts arising from transfer of financial assets that do not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, other financial liabilities are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss.

If the modification or renegotiation for the contract by the Group and its counterparties does not result in derecognition of a financial liability subsequently measured at amortized cost but the changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Group will determine the carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the original effective interest rate of the financial liability. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

*11.4.1.2.1 Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial liabilities that are not designated as at FVTPL or financial guarantee contracts of the financial liabilities arising from the transfer of financial assets that does not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets are measured at the higher of: (1) amount of provision for losses; and (2) the amount initially recognized less cumulative amortization amount determined according to relevant regulations in revenue standards.

*11.4.2 Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**11. Financial instruments** - continued

*11.4 Classification of financial liabilities and equity instruments* - continued

*11.4.3 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 (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

*11.5 Derivatives and embedded derivatives*

Derivatives include forward exchange contracts and foreign exchange option contracts, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently measured at fair value.

Derivatives embedded in hybrid contracts with a financial asset host are not separated by the Group. The hybrid contract shall apply to the relevant accounting standards regarding the classification of financial assets as a whole.

Derivatives embedded in hybrid contracts with hosts that are not financial assets are separated and treated as separate derivatives by the Group when they meet the following conditions:

- (1) The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- (2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- (3) The hybrid contracts are not measured at FVTPL.

For the embedded derivative separated from the host contracts, the Group accounts for the host contracts in the hybrid contracts with applicable accounting standards. When the embedded derivatives whose fair value cannot be measured reliably by the Group according to the terms and conditions of the embedded derivatives, the fair value of such derivatives are measured at the difference between the fair value of the hybrid contracts and the fair value of the host contracts. By adopting the above method, if the embedded derivative cannot be measured on a stand-alone basis at the time when it is acquired or at subsequent balance sheet dates, the hybrid instrument is designated as financial instruments at FVTPL as a whole.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**11. Financial instruments** - continued*11.6 Offsetting financial assets and financial liabilities*

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

**12. Bills receivable***12.1 Determination and accounting methods for expected credit losses of bills receivable*

The Group assesses, on an individual basis, the credit losses of bills receivable with significantly different credit risks, including bills receivable that are not accepted at maturity and for which there are clear indications that the acceptor is likely to fail in fulfilling its acceptance obligations. The credit losses of other bills receivable are determined on a portfolio basis according to credit risk characteristics.

*12.2 Categories of portfolios for which bad debt provision is assessed on a portfolio basis according to credit risk characteristics and the basis for determination*

In addition to bills receivable for which the credit losses are assessed on an individual basis, the remaining bills receivable are categorized into different portfolios based on their credit risk characteristics:

Category of portfolio	Basis for determination
Portfolio I	Bills receivable accepted by banks with high credit ratings
Portfolio II	Bills receivable accepted by banks with low credit ratings
Portfolio III	Bills receivable accepted by domestic enterprises

**13. Accounts receivable***13.1 Determination and accounting methods for expected credit losses of accounts receivable*

The Group determines the expected credit losses on accounts receivable on an individual basis and on a portfolio basis. The amount of increase in or reversal of allowance for expected credit losses on accounts receivable is included in profit or loss for the period as credit impairment losses or gains.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**13. Accounts receivable** - continued*13.2 Categories of portfolios for which bad debt provision is assessed on a portfolio basis according to credit risk characteristics and the basis for determination*

The accounts receivable are grouped as below based on common credit risk characteristics. The common credit risk characteristics adopted by the Group include historical credit losses, nature of the customers, etc.

Type of portfolio	Basis for determination
Portfolio I	Receivables from government and related parties
Portfolio II	Receivables from customers in wind turbine generators sales industry
Portfolio III	Receivables from kitchen waste disposal customers
Portfolio IV	Receivables from other third parties other than those in Portfolio I, II and III

*13.3 Aging calculation method for portfolio of credit risk characteristics recognized based on aging*

For Portfolio II, III and IV, the Group adopts the aging of accounts receivable as a credit risk characteristic to determine the expected credit losses using an impairment matrix. The aging is calculated from the date of initial recognition. If the terms and conditions of accounts receivable are modified which do not result in the derecognition of accounts receivable, the aging is calculated consecutively. If the accounts receivable are converted from contract assets, the aging is calculated consecutively from the date of initial recognition of the corresponding contract assets. If the debtor settles accounts receivable with commercial acceptance bills or acceptance bills of finance company, the aging of bills receivable is added to that of the original accounts receivable for calculation.

*13.4 Determination criteria for provision of bad debts on an individual basis*

The Group assesses the credit risk on accounts receivable from customers who clearly lack the ability to repay debts on an individual basis due to the fact that such accounts receivable are expected to be irrecoverable.

**14. Other receivables***14.1 Determination and accounting methods for expected credit losses of other receivables*

The Group determines the credit losses on other receivables for which the credit risk is increased significantly on an individual basis, and determines the credit losses on remaining other receivables on a portfolio basis using an impairment matrix. The amount of increase in or reversal of allowance for expected credit losses on other receivables is included in profit or loss for the period as credit impairment losses or gains.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**14. Other receivables** - continued

*14.2 Categories of portfolios for which bad debt provision is assessed on a portfolio basis according to credit risk characteristics and the basis for determination*

In addition to other receivables for which the credit losses are assessed on an individual basis, the Group categorizes other receivables into low-risk portfolio and normal-risk portfolio based on common credit risk characteristics. The common credit risk characteristics adopted by the Group include category of the debtors.

**15. Inventories**

*15.1 Categories of inventories, valuation method of inventories upon delivery, inventory count system, and amortization method for low-value consumables and packaging materials*

*15.1.1 Categories of inventories*

The Group's inventories mainly include real estate development properties, raw materials, work in progress, goods on hand, low-value consumables and others, etc.

Real estate properties comprise properties held for sale, properties under development and properties held for development. Properties held for sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on.

Inventories are initially measured at cost. Cost of real estate development comprises land cost, construction cost and other costs. Cost of raw materials, work in progress and finished goods comprises costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

*15.1.2 Valuation method of inventories upon delivery*

The cost of completed properties held for sale is determined using the specific identification method. The actual cost of raw materials, work in progress, and finished goods upon delivery is calculated using the FIFO method. The actual cost of maintenance and repair parts upon delivery is calculated using the weighted average method.

*15.1.3 Inventory count system*

The perpetual inventory system is maintained for stock system.

*15.1.4 Amortization method for low-value consumables and packaging materials*

Low value consumables and packaging materials are amortized using the immediate write-off method.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

15. Inventories - continued

*15.2 Recognition criteria and provision method for decline in value of inventories*

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the net realizable value is lower than the cost, the provision for decline in value of inventories should be made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

*15.3 Categories of portfolios for which provision for decline in value of inventories is made on a portfolio basis and the basis for determination, and the basis for determining the net realizable value of different categories of inventories*

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories, i.e., wind turbine equipment, kitchen waste disposal equipment, power batteries, real estate inventories and others, respectively. The net realizable value of each category of inventories is determined based on the contract prices or market prices for similar goods.

16. **Contract assets**

*16.1 Determination method and criteria of contract assets*

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

*16.2 Determination and accounting methods of expected credit losses of contract assets*

Consistent with accounts receivable, the Group determines the expected credit losses on contract assets on an individual basis and on a portfolio basis. The amount of increase in or reversal of allowance for expected credit losses on contract assets is included in profit or loss for the period as asset impairment losses or gains.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**16. Contract assets** - continued*16.3 Categories of portfolios for which bad debt provision is assessed on a portfolio basis according to credit risk characteristics and the basis for determination*

The contract assets are grouped as below based on common credit risk characteristics. The common credit risk characteristics adopted by the Group include: historical credit losses, nature of the customers, etc.

Type of portfolio	Basis for determination
Portfolio I	Government and related parties
Portfolio II	Customers in wind turbine generators sales industry (warranties receivable)
Portfolio III	Kitchen waste disposal customers
Portfolio IV	Other third parties other than those in Portfolio I, II and III

*16.4 Aging calculation method for portfolio of credit risk characteristics recognized based on aging*

For Portfolio III and IV, the Group adopts the aging of contract assets as a credit risk characteristic to determine the credit losses using an impairment matrix. The aging is calculated from the date of initial recognition.

*16.5 Determination criteria for provision of bad debts on an individual basis*

The Group assesses the credit risk on contract assets for which the customers clearly lack the ability to repay debts on an individual basis due to the fact that such contract assets are expected to be irrecoverable.

**17. Non-current assets or disposal groups classified as held-for-sale***17.1 Recognition criteria and accounting methods for non-current assets or disposal groups classified as held-for-sale*

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**17. Non-current assets or disposal groups classified as held-for-sale** - continued

17.1 Recognition criteria and accounting methods for non-current assets or disposal groups classified as held-for-sale - continued

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets is made. When there is increase in the net amount of fair value of non-current Transactional financial assets less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. Impairment losses of assets recognized before they are classified as held for sale will not be reversed.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

17.2 Recognition criteria and presentation of discontinued operations

A discontinued operation is a component of the Group that can be clearly distinguished and satisfies one of the following conditions, and such component has been disposed of or is classified as held-for-sale:

- Such component represents a separate major line of business or geographical area of operations;
- Such component is part of the separate major line of business or geographical area of operations to be disposed of based on the associated plan;
- Such component is a subsidiary acquired exclusively for the purpose of resale.

Gains or losses from discontinued operations are presented separately from those from continuing operations in the income statement. Operating gains or losses such as impairment losses from discontinued operations and the amount of reversals, and the gains or losses from disposals are presented as discontinued operations. For discontinued operations presented in the current period, the Group restates the information previously presented as gains or losses from continuing operations in the financial statements for the period as discontinued operations in the comparable accounting period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**18. Long-term equity investments**

*18.1 Determination criteria of joint control and significant influence*

Control exists when the investor 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 over the investee to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influences are the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effects of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible have been considered.

*18.2 Determination of initial investment costs*

For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as Equity. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the share of carrying amount of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by accounting treatment of equity method or investments in non-trading equity instruments designated as at fair value through other comprehensive income is not subject to accounting treatment temporarily.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**18. Long-term equity investments** - continued

*18.2 Determination of initial investment costs* - continued

For a long-term equity investment acquired through business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held was classified as investments in non-trading equity instruments designated as at fair value through other comprehensive income, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to retained earnings.

The intermediary fees incurred by the absorbing party or acquirer such as auditing legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (ASBE No. 22) and the additional investment cost.

*18.3 Subsequent measurement and recognition of profit or loss*

*18.3.1 Long-term equity investment accounted for using the cost method*

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**18. Long-term equity investments** - continued

*18.3 Subsequent measurement and recognition of profit or loss* - continued

*18.3.2 Long-term equity investments accounted for using the equity method*

Investments in joint ventures are accounted for using the equity method, except for investments in associates and joint ventures that are classified in whole or in part as transactional financial assets. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; the carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognizes its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognize investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. When the investment output of our corporation could be considered as business, and the investor receive long-term equity investment without the acquisition of controlling, the fair value of the investment business should be considered as the initial capital of the new long-term equity investment. The difference between initial investment capitals of the carrying amount of investment business will be entirely included in current profit or loss. The difference between the prices of the sold assets which could constitute as business and the carrying amount of the business will be entirely included in current profit or loss. The assets of the corporation which purchased from joint companies and joint ventures that could be consider as business will be dealt on the basis of *Accounting Standard for Business Enterprises No. 20 - Business Combinations* and be entirely accounted as trading profits or losses.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**18. Long-term equity investments** - continued

*18.3 Subsequent measurement and recognition of profit or loss* - continued

*18.3.2 Long-term equity investments accounted for using the equity method* - continued

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

*18.4 Disposal of long-term equity investments*

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognized due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**18. Long-term equity investments** - continued

*18.4 Disposal of long-term equity investments* - continued

Where the Group loses control over the investee due to disposal of part of equity investment, during preparing separate financial statement, remaining interest after disposal which can make joint control or significant influence over the investee is accounted for using the equity method, and adjusted as if it is accounted for using the equity method since the acquisition date. If remaining interest after disposal cannot make joint control or significant influence over the investee, it is accounted for in accordance with the standards for the recognition and measurement of financial instruments, and the difference between fair value on date of losing control and carrying amount is recognized in profit or loss for the period. Other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period. If remaining interest after disposal is accounted for using the equity method, other comprehensive income and other owners' equity are transferred on a pro rata basis. If remaining interest after disposal is accounted for in accordance with the standards for the recognition and measurement of financial instruments, other comprehensive income and other owners' equity are transferred in their entirety.

Where the Group loses joint control or significant influence over the investee due to disposal of part of equity investment, remaining interest after disposal is accounted for in accordance with the standards for the recognition and measurement of financial instruments, and the difference between fair value on date of losing joint control or significant influence and carrying amount is recognized in profit or loss for the period. Other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities when stop using the equity method, and owners' equity recognized due to changes in other owners' equity (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period in its entirety when stop using the equity method.

The Group loses control over the subsidiaries through step-by-step transactions of disposal of its equity investment in the subsidiaries. Where such transactions are a "package deal", they are accounted for as a transaction of disposal of subsidiary to lose control. The difference between the proceeds from each disposal before losing control and carrying amount of long-term equity investment corresponding to the disposed investment is firstly recognized as other comprehensive income and then transferred to profit or loss for the period in which the control is lost.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**19. Investment properties**

Investment property is property held to earn rents or for capital appreciation or both. It includes car parking spaces that is leased out and buildings.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are depreciated over their useful lives using the straight-line method. The depreciation method, depreciation life, estimated residual value rate and annual depreciation rate of each category of investment properties are as follows:

Category	Depreciation method	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Car parking spaces	Straight-line method	30	5.00	3.17
Buildings	Straight-line method	20	5.00	4.75

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

**20. Fixed assets*****20.1 Recognition criteria***

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rents to others, or for administrative purposes, and have useful lives of over 1 accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**20. Fixed assets** - continued*20.2 Depreciation methods*

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation method, depreciation life, estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line	20-30	5.00	3.17-4.75
Traffic equipment	Straight-line	5-11	0.00-10.00	8.18-20.00
Mechanical equipment	Straight-line	5-20	4.00-5.00	4.75-19.20
Motor vehicles	Straight-line	5-6	5.00	15.83-19.00
Office and other equipment	Straight-line	3-5	0.00-5.00	19.00-33.33

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

*20.3 Other particulars*

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the depreciation period and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

**21. Construction in progress**

Construction in progress is measured at its actual construction expenditures, including various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use. The criteria and point in time for carrying forward of each category of construction in progress to fixed assets are as follows:

Category	Criteria for carrying forward to fixed assets	Point in time for carrying forward to fixed assets
Construction and installation project	When it is ready for intended use	When it is handed over and accepted as qualified
Others	When it is ready for intended use	When it is handed over and accepted as qualified

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**22. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than three months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

**23. Intangible assets**

*23.1 Useful life and the basis for determination, estimates, amortization method or review procedures*

Intangible assets include franchise rights (toll road and kitchen waste disposal project), billboard land use right, patent use right, land use right, contract rights and office software.

An intangible asset is measured initially at cost. Subsequent expenditures incurred for the intangible asset are included in the cost of the intangible asset when it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

If the fees charged by the Group to those who receive public products and services during the period of operation of PPP project such as kitchen waste disposal and toll road do not constitute an unconditional right to receive cash, the consideration amount of the relevant PPP project assets or the amount of construction income recognized shall be recognized as concession intangible assets when the PPP project assets are ready for intended use.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**23. Intangible assets** - continued

*23.1 Useful life and the basis for determination, estimates, amortization method or review procedures* - continued

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

**(1) Franchise rights**

**(a) Toll road**

Franchise rights associated with the toll roads refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and the land use right obtained in conjunction with the concession arrangement.

When toll roads are ready for their intended use, amortization of franchise rights is calculated to write off their costs on the traffic volume amortization method. As to amortization of franchise rights, the amortization amount per standard traffic volume ("unit amortization amount") is calculated based on total standard traffic volume predicted during the operating period of each toll road and the cost/carrying amount of the franchise rights associated with toll roads, then the franchise rights are amortized based on the actual traffic volume during each accounting period and the unit amortization amount.

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

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**23. Intangible assets - continued**

*23.1 Useful life and the basis for determination, estimates, amortization method or review procedures - continued*

**(1) Franchise rights - continued**

**(a) Toll road - continued**

The operating periods and unit amortization amounts of toll roads are set out as follows:

Item	Operating period (Note 3)	Unit usage (RMB)
Meiguan Expressway	May 1995 to March 2027	0.53
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	2.95
Qinglian Expressway	July 2009 to July 2034	39.28
Shuiguan Expressway	March 2002 to January 2026	5.66
Yichang Expressway	January 2004 to December 2033	10.88
Changsha Ring Road (North-western Section) ("Changsha Ring Road")	November 1999 to October 2029	2.39
Coastal Expressway	December 2013 to December 2038	6.09
Outer Ring Phase I (Note 1) (Note 2)	Commencement of operations in December 2020	3.95
Outer Ring Phase II (Note 1) (Note 2)	Commencement of operations in January 2022	1.11
Longda Expressway	October 2005 to October 2027	0.25

Note 1: As stated in Note III, 36.2, since 1 January 2023, the Group adjusted the unit amortization amount of Outer Ring Phase I from RMB 7.02 to RMB 3.95, and the unit amortization amount of Outer Ring Phase II from RMB 1.36 to RMB 1.11.

Note 2: The operating period of Outer Ring Expressway has not yet been approved and the Group tentatively estimates an operating period of 25 years.

Note 3: The operating period does not include the extension of the toll period that should be enjoyed according to local policies due to the fact that the national toll roads were free for 79 days at the beginning of 2020.

**(b) Kitchen waste disposal project**

Franchise rights related to kitchen waste disposal are amortized on a straight-line basis during the period of franchise operation.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**23. Intangible assets** - continued23.1 Useful life and the basis for determination, estimates, amortization method or review procedures - continued**(2) Other intangible assets**

The amortization method, useful life and residual value rate of other intangible assets are as follows:

Category	Amortization method	Useful life (year)	Basis to determine the useful life	Residual value rate
Billboard land use right	Straight-line	5	Year(s) as agreed in the contract	-
Patent use right	Straight-line	5-10	Year(s) as agreed in the contract / Useful life as stipulated by law	-
Land use rights	Straight-line	50	Useful life as stipulated in the land use certificate	-
Contract rights	Straight-line	10	Year(s) as agreed in the contract	-
Software and others	Straight-line	2-10	Expected update cycle	-

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and adjusts when necessary.

For details of the impairment test of intangible assets, see Note III, 24 "Impairment of long-term assets".

23.2 Scope of R&D expenditures and accounting treatment

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale,
- (2) The Group has the intention to complete the intangible asset and use or sell it,
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset,
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**23. Intangible assets** - continued

*23.2 Scope of R&D expenditures and accounting treatment* - continued

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. Costs of intangible assets generated from internal development activities only include total expenditures incurred from the point of time that qualify for capitalization till the intangible asset is ready for intended use. Expenditures which have been recognized as expenses into profit or loss before the same intangible asset that qualify for capitalization during the development course will not be adjusted any longer.

The scope of R&D expenditures include wages, salaries, and welfare expenses of personnel directly engaged in R&D activities, materials, fuel, and power expenses directly consumed in R&D activities, depreciation expenses for instruments and equipment used in R&D activities, rental and maintenance expenses for R&D sites, travel, transportation, and communication expenses required for research and experimental development, etc. Technical feasibility and economic viability studies are adopted as specific criteria for classifying the research and development phases.

**24. Impairment of long-term assets**

The Group reviews the long-term equity investments, investment properties measured using cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with finite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with uncertain useful life or not yet ready for use is tested for impairment every year whether there is any indication the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognized, it will not be reversed in any subsequent period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**25. Long-term prepaid expenses**

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of over 1 year). Long-term prepaid expenses are averagely amortized over the expected benefit period.

**26. Contract liabilities**

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received or is expected to receive a consideration from the customer. Contract assets and contract liabilities under the same contract are listed on a net basis.

**27. Employee benefits**

27.1 Accounting treatment of short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

27.2 Accounting treatment of post-employment benefits

Post-employment benefits are all defined contribution plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

27.3 Accounting treatment of termination welfare

The Group provides termination welfare to employees, employee benefits liabilities generated from termination welfare are recognized at the earlier of the following two dates, and recognized in profit or loss of current period: When the Group cannot withdraw provided termination welfare because of severing labor relationship or reduction of suggested amount; When the Group recognizes costs or expenses related to termination welfare payment.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**27. Employee benefits** - continued*27.4 Accounting treatment of other long-term employee benefits*

For other long-term employee benefits, where the definition of defined contribution plans is met, it is accounted for according to related requirements of defined contribution plans. Otherwise, net liabilities or net assets of such other long-term employee benefit are recognized and measured according to related requirements of defined benefit plans. At the end of the reporting period, cost of employee benefit generated from other long-term employee benefit comprises service cost, net interest of net liabilities or net assets of other long-term employee benefit and changes arising from re-measurement of net liabilities or net assets of other long-term employee benefit. Net value of these items is recognized in profit or loss or cost of related assets.

**28. Provisions**

Provisions are recognized when the Group has a present obligation related to a contingency such as product quality assurance, onerous contract or restructuring, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows. Each category of provisions is measured as below:

Item	Method for measurement
Cost of services in the future	Present value of expected cost of services in the future
Subsequent expenditure for kitchen waste disposal project	Present value of expected subsequent expenditure on the project
Product warranty	Expected subsequent expenditure calculated based on historical warranty expenditure ratio
Pending litigation or arbitration	Expected compensation expenditure

**29. Preferred stock, perpetual bonds and other financial instruments**

Other financial instruments including preferred stocks and perpetual bonds issued by the Group are measured as equity instruments when they satisfy all the following criteria:

- (1) The financial instruments do not include cash or other financial assets delivered to other parties, or contractual obligations to exchange financial assets or liabilities with other parties under potential disadvantages;
- (2) When the Company's own equity instrument is required to or available to be used for settlement of the financial instrument, it does not include the contractual obligations to settle the Company's own variable equity instruments if it is a non-derivative instrument; if it is a derivative instrument, the Group can only settle the instrument by exchanging certain amount of its own equity instruments with fixed amount of cash or other financial assets.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**29. Preferred stock, perpetual bonds and other financial instruments** - continued

Except for other financial instruments that can be classified as equity instruments described above, other financial instruments issued by the Group are classified as financial liabilities.

For other financial instruments including preferred stocks and perpetual bonds classified as financial liabilities, interest expense or dividends distributions are treated as borrowing costs, and the gains or losses arising from the re-purchase or redemption are recognized in profit or loss for the period. When the financial liability is measured at amortized cost, related transaction costs are included in initial measurement.

For other financial instruments including preferred stocks and perpetual bonds classified as equity instruments, interest expense or dividends distribution is recorded as the profit distribution of the Group; the repurchase, cancellation etc. are accounted for as changes in equity, and related transaction costs are deducted from the equity.

**30. Revenue**

*30.1 Disclosure of accounting policies adopted for revenue recognition and measurement by type of business*

The Group's revenue is mainly derived from toll road, environmental protection and property development.

The Group recognizes revenue based on the transaction price allocated to the performance obligation when the Group satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services. A performance obligation is a commitment that the Group transfers a distinct good or service to a customer in the contract.

The Group assesses a contract at contract inception, identifies each individual performance obligation included in the contract, and determines whether the performance obligation is satisfied during a period of time or at a point in time. It is a performance obligation satisfied during a period of time and the Group recognizes revenue during a period of time according to the progress of performance if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, revenue is recognized at a point in time when the customer obtains control over the relevant goods or services.

The Group adopts input method, i.e. the input by the Group for purpose of fulfilment of performance obligation to determine the appropriate progress of performance. Where the progress cannot be determined reasonably, the revenue is recognized based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**30. Revenue** - continued

*30.1 Disclosure of accounting policies adopted for revenue recognition and measurement by type of business* - continued

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer. In determining the transaction price, the Group should consider the effects of variable consideration, significant financing components in the contract, non-cash consideration and consideration payable to customers.

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in each stand-alone performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligations. Stand-alone selling price refers to the price of a single sale of goods or services. If the stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all relative information that can be reasonably acquired and maximum use of observable inputs.

In case of the existence of variable consideration in the contract, the Group shall determine the best estimate of variable consideration based on the expected value or the most probably occurred amount. The transaction price including variable consideration shall not exceed the amount of the cumulatively recognized revenue which is unlikely to be significantly reversed when relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration which should be included in transaction price.

If the customer pays non-cash consideration, the Group determines the transaction price based on the fair value of the non-cash consideration. If the fair value of non-cash consideration cannot be reasonably estimated, the Group shall determine the transaction price indirectly by reference to the stand-alone selling price of the goods or services promised to transfer to the customer.

For sales that are affixed with terms of sales return, as the customer obtains control of related goods, the Group recognizes revenue based on the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to charge due to the transfer of goods to the customer, and recognizes liabilities based on the expected refund amounts due to sales returns. Meanwhile, the carrying amount at the time of transfer of goods expected to be returned, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset and carried forward to cost at the carrying amount at which goods are transferred, net of the cost of asset.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**30. Revenue** - continued

*30.1 Disclosure of accounting policies used for revenue recognition and measurement by type of business* - continued

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standard for Business Enterprises No. 13 - Contingencies.

In case of the existence of a significant financing component in the contract, the Group shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortized using effective interest method during the contract life. [At contract inception, if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group would not consider the significant component in the contract.

The Group assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Group is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, the Group is a principal and recognizes revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party, or is determined in accordance with the established commission amount or percentage, etc.

Where the Group receives receipts in advance from a customer for sales of goods or rendering of services, the amount is first recognized as a liability and then transferred to revenue when the related performance obligation has been satisfied. When the Group's receipts in advance are not required to be refunded and it is probable that the customer will waive all or part of its contractual rights, the Group recognizes the said amounts as revenue on a pro-rata basis in accordance with the pattern of exercise of the customer's contractual rights, if the Group expects to be entitled to the amounts relating to the contractual rights waived by the customer; otherwise, the Group reverses the related balance of the said liabilities to revenue only when it is highly unlikely that the customer will require performance of the remaining performance obligations.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**30. Revenue** - continued

*30.1 Disclosure of accounting policies used for revenue recognition and measurement by type of business* - continued

The specific revenue recognition criteria of the Group are as follows:

- (1) The Group's revenue from operation of toll roads is recognized when the related services have been provided and economic benefits associated with the services are likely to flow into the Group.
- (2) The Group's revenue from sales of wind turbine equipment, kitchen waste disposal equipment and other commodities are recognized when the client obtains the control over the goods.
- (3) For engineering construction services provided, the Group determines the performance progress and recognizes revenue according to the proportion of the cost incurred to the estimated total cost.
- (4) The Group's revenue from real estate sales is recognized when (1) the real estate is completed and accepted as qualified, (2) the real estate meets the delivery conditions as agreed in the sales contract, and (3) the client obtains the control over relevant goods or services.
- (5) The Group's revenue from entrusted highway operation and management and maintenance services is recognized on a straight-line basis over the contract period.
- (6) The Group has signed cooperation agreements with government departments to participate in the construction of toll roads and kitchen waste disposal projects. During the construction period, the construction service provided by the Group shall be regarded as the performance obligations performed within a certain period and the construction revenue shall be recognized by the completion percentage methods in accordance with the proportion of the incurred costs to estimated total costs. During the commercial operating period, the revenue from kitchen waste disposal shall be recognized according to the actual amount of waste disposal and the unit price agreed in the waste disposal agreement. Revenue from sales of electric power shall be recognized according to the on-grid electric quantity and the unit price agreed in the electricity purchase and sale contract when the electric power has been produced and connected to the grid. Revenue from sales of grease shall be recognized according to the actual grease sales volume and the unit price agreed in the agreement when the client obtains the control over relevant goods.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**30. Revenue** - continued

*30.2 Similar operations under different business models which involve different revenue recognition and measurement methods*

The Group has no similar operations under different business models which involve different revenue recognition and measurement methods.

**31. Contract costs**

*31.1 Costs of obtaining contracts*

If the incremental costs (costs that will not occur if no contract obtained) incurred for obtaining the contract are expected to be recovered, the Group recognizes it as an asset and adopts goods or service income related to the assets to confirm the same basis for amortization and recognizes it in profit or loss. Other expenses incurred by the Group for obtaining the contract are recognized in profit or loss for the period in which it occurs, except as expressly borne by the customer.

*31.2 Costs to fulfill contracts*

If the costs incurred in fulfilling a contract are not within the scope of other standards other than standards on revenue, the Group shall recognized an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: 1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; 2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and 3) the costs are expected to be recovered. The assets recognized shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period.

*31.3 Impairment loss of assets related to contract costs*

In determining the impairment losses of assets related to contract costs, the Group first determines the impairment losses of other assets related to contracts recognized in accordance with other ASBEs; then, for assets related to contract costs, if the carrying amount of the assets is higher than the difference between: (1) the remaining consideration that the Group expects to obtain for the transfer of the goods or services related to the asset; and (2) the estimated costs to be incurred for the transfer of the related goods or services, any excess is provided for impairment and recognized as impairment loss of assets.

After the provision for impairment of assets related to contract costs is made, if the factors of impairment in previous periods change so that the difference between the above two is higher than the carrying amount of the asset, the original provision for impairment of the asset is reversed and recognized in profit or loss for the period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no provision for impairment was made.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**32. Categories of government grants and accounting treatment methods**

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

*32.1 Determination basis and accounting treatment of government grant related to assets*

Government grants of the group included equipment subsidy. These payments are government grant related to assets.

A government grant related to an asset is recognized as deferred revenue and will be included in profit or loss over the useful life of the related asset with the straight-line method.

*32.2 Determination basis and accounting treatment of government grant related to income*

Government grants of the Group includes tax refunds and government incentive funds and these are government grant related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred revenue, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income.

For repayment of a government grant already recognized, if there is related deferred revenue, the repayment is offset against the gross carrying amount of the deferred revenue, and any excess is recognized in profit or loss for the period.

**33. Leases**

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**33. Leases - continued**

The Group assesses whether a contract is or contains a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

33.1 The Group as a lessee

33.1.1 Separating components of a lease

If the contract contains one or more lease and non-lease components, the Group will separate the individual lease and non-lease components and allocate contract consideration according to the relative proportion of the sum of the stand-alone prices of the lease components and the stand-alone prices of the non-lease components.

33.1.2 Right-of-use assets

Except for short-term leases and leases of low value assets, at the commencement date of the lease, the Group recognizes a right-of-use asset. The Group's right-of-use assets consist mainly of buildings, mechanical equipment, billboard, etc.

The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Group. The Group measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, 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 incurred to produce inventories.

The Group depreciates right-of-use assets by reference to the relevant depreciation provisions of *Accounting Standards for Business Enterprises No. 4 - Fixed Assets*. The right-of-use assets are depreciated over the remaining useful lives of the leased assets where the Group is reasonably certain to obtain ownership of the underlying assets at the end of the lease term. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and the remaining useful lives of the leased assets.

The Group applies *Accounting Standards for Business Enterprises No. 8 - Impairment of Assets*, to determine whether the right-of-use assets are impaired and to account for any impairment loss identified.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**33. Leases - continued**

*33.1 The Group as a lessee - continued*

*33.1.3 Lease liabilities*

Except for short-term leases and leases of low value assets, at the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as the discount rate. The Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the Group to the lessor, including:

- fixed payments and in-substance fixed payments, less any lease incentives receivable (if any);
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease; and
- amounts expected to be paid under residual value guarantees provided by the Group.

After the commencement date of the lease, the Group calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognizes such expenses in profit or loss or cost of related assets.

After the commencement date of the lease, the Group re-measures the lease liabilities and adjusts the right-of-use assets accordingly in the following cases. If the book value of the right-of-use asset has been reduced to zero, but the lease liability needs to be reduced further, the Group will recognize the difference in profit or loss for the period:

- there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, 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;
- there is a change in the amounts expected to be payable under a residual value guarantee, or in future lease payments resulting from a change in an index or a rate used to determine those payments, in which case the related lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate. [If the change of lease payment comes from the change of floating interest rate, the revised discount rate shall be used to calculate the present value.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**33. Leases** - continued

*33.1 The Group as a lessee* - continued

*33.1.4 Determination basis and accounting treatment for short-term leases and leases of low value assets under simplified approach as a lessee*

The Group chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain a call option. A lease of low-value assets, is a lease that the single underlying asset, when is new, is no more than RMB 50,000.00. The Group shall recognize the lease payments associated with short-term leases and leases of low-value assets in profit or loss or cost of related assets on a straight-line basis over the lease term.

*33.1.5 Lease modifications*

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

- the lease modification expanded the scope of the lease by adding the right-of-use of one or more lease assets; and
- the increased consideration is equivalent to the amount of stand-alone price of the expanded lease scope adjusted according to the contract.

If the lease modification is not accounted for as an individual lease, on the effective date of the lease modification, the Group reallocates the consideration of the contract after the change, re-determines the lease term, and re-measures lease liabilities based on the changed lease payments and the present value calculated by the revised discount rate.

If the lease modification results in a reduction in the lease scope or lease term, the carrying amount of the right-of-use assets will be reduced, and the gains or losses relevant to the lease partially or fully terminated will be included in profit or loss for the period; for other lease modifications resulting in the remeasurement of lease liabilities, the carrying amount of right-of-use assets is adjusted accordingly.

*33.1.6 Sale and leaseback transactions*

*The Group as seller-lessee*

The Group applies the requirements of the ASBE No. 14 Revenue to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset does not constitute a sale, the Group shall continue to recognize the transferred assets and recognize a financial liability equal to the transfer proceeds in accordance with the *Accounting Standards for Business Enterprises No. 22 - Financial Instruments: Recognition and Measurement*. If the transfer of an asset is a sale, the Group shall measure the right-of-use assets arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use, and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**33. Leases** - continued

*33.2 The Group as a lessor*

*33.2.1 Separating components of a lease*

For a contract that contains lease components and non-lease components, the Group allocates the contract consideration in accordance with the Revenue Standard on apportionment of transaction prices, based on the respective stand-alone prices of the lease components and the non-lease components.

*33.2.2 Classification criteria and accounting treatment of leases as a lessor*

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

*33.2.2.1 The Group as a lessor under operating leases*

Receipts of lease under operating leases are recognized as rental income on a straight-line basis over the term of the relevant lease. Initial direct costs related to operating leases incurred by the Group are capitalized when incurred, and are recognized in profit or loss for the current period on the same basis as recognition of rental income over the lease term.

Variable lease receipts acquired by the Group in connection with operating leases that are not included in the lease receipts are recognized in profit or loss when incurred.

*33.2.2.2 The Group as a lessor under finance leases*

At the commencement date, the Group recognizes a finance lease receivable at the amount equal to the net investment in the lease with finance lease assets derecognized. The net investment in the lease is the sum of any unguaranteed residual value and lease receipts from the commencement date, discounted at the interest rate implicit in the lease.

The receipts of the lease refer to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- fixed payments (including in-substance fixed payments) paid by the lessee, less any lease incentives;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- the amount to be paid by the lessee to exercise the option to terminate the lease, provided that the lease term reflects the lessee's exercise of the option to terminate the lease;

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**33. Leases** - continued

33.2 The Group as a lessor - continued

33.2.2 Classification criteria and accounting treatment of leases as a lessor - continued

33.2.2.2 The Group as a lessor under finance leases - continued

The receipts of the lease refer to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including: - continued

- the residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

The variable lease receipts that are not included in the measurement of net lease investment are recognized in profit or loss when incurred.

The Group calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate.

33.2.3 Subleases

As the lessor of a sublease, the Group accounts for the original lease contract and the sublease contract as two separate contracts. The Group classifies the subleases based on the right-of-use assets generating from the original lease rather than the underlying assets of the original lease.

33.2.4 Lease modifications

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

The Group will account for the lease modification to a finance lease as an individual lease, when it satisfies all the following criteria:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The increased consideration is equivalent to the amount of stand-alone price of the expanded lease scope adjusted according to the contract.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**33. Leases** - continued

33.2 The Group as a lessor - continued

33.2.4 Lease modifications - continued

For a modification to a finance lease that is not accounted for as a separate lease, the Group shall account for the modification as follows:

- If the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group shall account for the lease modification as a new lease from the effective date of the modification, and measure the carrying amount of the underlying asset as the net investment in the lease before the effective date of the lease modification.
- If the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group shall apply the requirements of contract modification and renegotiation under the *Accounting Standards for Business Enterprises No. 22 - Financial Instruments: Recognition and Measurement*.

33.2.5 Sale and leaseback transactions

The Group as buyer-lessor

If the transfer of an asset in a sale and leaseback transaction does not constitute a sale, the Group does not recognize the transferred asset but a financial asset equal to the transfer proceeds in amount, and accounts for such financial asset under the *Accounting Standards for Business Enterprises No. 22 - Financial Instruments: Recognition and Measurement*. If the transfer of an asset constitutes a sale, the Group accounts for the purchase of the asset in accordance with other applicable Accounting Standards for Business Enterprises and accounts for the lease of the asset.

**34. Deferred tax assets / deferred tax liabilities**

The income tax expenses include current income tax and deferred income tax.

34.1 Current income tax

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

34.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**34. Deferred tax assets / deferred tax liabilities - continued**

*34.2 Deferred tax assets and deferred tax liabilities - continued*

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of 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 recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized, or the liability is settled.

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

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**34. Deferred tax assets / deferred tax liabilities - continued**

*34.3 Offsetting of income tax*

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

**35. Other significant accounting policies and accounting estimates**

*Segment information*

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

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**36. Changes in significant accounting policies and accounting estimates***36.1 Changes in significant accounting policies**Interpretation No. 16 of the Accounting Standards for Business Enterprises*

The *Interpretation No. 16 of the Accounting Standards for Business Enterprises* (the "Interpretation No. 16") was issued by the Ministry of Finance on 30 November 2022, which stipulated the accounting treatment concerning the inapplicability of initial recognition exemption for deferred income tax relating to assets and liabilities arising from a single transaction. Interpretation No. 16 revised the coverage of exemption of the initial recognition of deferred income tax in the Accounting Standards for Business Enterprises No. 18 - Income Tax, and specified that the relevant provisions on the exemption of initial recognition of deferred tax liabilities and deferred tax assets are not applicable to a single transaction (not a business combination) that affects neither the accounting profit nor taxable income (or deductible losses) at the time of transaction, and where the assets and liabilities initially recognized generate equal taxable temporary differences and deductible temporary differences. The Interpretation became effective from 1 January 2023 and could be early applied. The Group started to apply the Interpretation on 1 January 2023, adopted the retrospective adjustment method for accounting treatment, and restated the financial statements for the comparable years. The specific impact is as follows:

	RMB		
Items affected	1 January 2022	Adjustment	1 January 2022
Deferred tax assets	451,230,984.30	881,703.00	452,112,687.30
Deferred tax liabilities	1,286,986,799.74	-	1,286,986,799.74
Undistributed profits	7,157,542,961.33	(204,227.32)	7,157,338,734.01
Minority interests	5,971,983,945.05	1,085,930.32	5,973,069,875.37

	RMB		
Items affected	31 December 2022	Adjustment	31 December 2022
Deferred tax assets	423,407,651.00	3,229,751.74	426,637,402.74
Deferred tax liabilities	1,281,034,171.47	-	1,281,034,171.47
Undistributed profits	8,079,278,802.54	2,179,848.75	8,081,458,651.29
Minority interests	6,014,620,231.70	1,049,902.99	6,015,670,134.69

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

36. Changes in significant accounting policies and accounting estimates - continued

*36.2 Changes in significant accounting estimates*

*36.2.1 Change in accounting estimate of unit amortization amount of Outer Ring Expressway*

Items affected	2022	Adjustment	2023
Income tax expenses	531,669,555.05	(2,348,048.74)	529,321,506.31

RMB

Content and reasons for changes in accounting estimates	Time point at which application begins	Name of items in the financial statements affected significantly	Amounts affected
Change in accounting estimate of unit amortization amount of franchise rights - Outer Ring Expressway	1 January 2023	Intangible assets and cost of services	124,982,162.23

RMB

In view of that the actual traffic volume of Outer Ring Expressway (including Outer Ring Phase I and Phase II) in recent years differs greatly from the total projected traffic volume and such difference is expected to persist for some time, the Group re-predicts the total projected traffic volume of Outer Ring Expressway in the remaining operating period. The Group adjusted the unit amortization amount of Outer Ring Expressway Phase I from RMB 7.02/vehicle to RMB 3.95/vehicle and the unit amortization amount of Outer Ring Expressway Phase II from RMB 1.36/vehicle to RMB 1.11/vehicle based on the updated total projected traffic volume. This change in accounting estimates is effective from 1 January 2023, and the impact of which on the Group's consolidated financial statements for the year 2023 is as follows:

Items in the consolidated statements of financial position	Amounts affected
Increase in intangible assets	124,982,162.23
Decrease in deferred tax assets	31,245,540.56
Increase in equity attributable to shareholders of the Company	93,736,621.67
Items in the consolidated statement of profit or loss and other comprehensive income	Amounts affected
Decrease in cost of services	124,982,162.23
Increase in income tax expenses	31,245,540.56
Increase in net profit	93,736,621.67
Increase in net profit attributable to shareholders of the Company	93,736,621.67

RMB

The change in above accounting estimate will have a certain impact on amortization of the franchise rights of Outer Ring Expressway (including Outer Ring Phase I and Phase II) in the future accounting period.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

## 36. Changes in significant accounting policies and accounting estimates - continued

*36.2 Changes in significant accounting estimates**36.2.2 Change in accounting estimate of unit amortization amount of Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway and West Line Expressway*

			RMB
Content and reasons for changes in accounting estimates	Time point at which application begins	Name of items in the financial statements affected significantly	Amounts affected
Change in accounting estimate of unit amortization amount of franchise rights - Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway and West Line Expressway	1 November 2023	Long-term equity investments and investment income	21,910,543.50

Both Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway and West Line Expressway (including West Line Phase I, West Line Phase II and West Line Phase III) are joint venture projects invested by Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development"), a subsidiary of the Company. In view of that the actual traffic volume of Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway and West Line Expressway in recent years differs greatly from total standard traffic volume projected and such difference is expected to persist for some time, according to the prediction results from an external professional organization on total standard traffic volume of Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway and West Line Expressway in the remaining operating period, the unit amortization amount of Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway was adjusted from RMB 44.62/vehicle to RMB 35.60/vehicle, the unit amortization amount of West Line Phase I was adjusted from RMB 2.34/vehicle to RMB 2.42/vehicle, the unit amortization amount of West Line Phase II was adjusted from RMB 11.26/vehicle to RMB 11.63/vehicle, and the unit amortization amount of West Line Phase III was adjusted from RMB 12.96/vehicle to RMB 16.66/vehicle. This change in accounting estimates is effective from 1 November 2023, and the impact of which on the Group's consolidated financial statements for the year 2023 is as follows:

		RMB
Items in the consolidated statements of financial position	Amounts affected	
Increase in long-term equity investments	21,910,543.50	
Increase in equity attributable to shareholders of the Company	15,738,343.39	
Items in the consolidated statement of profit or loss and other comprehensive income	Amounts affected	
Increase in investment income	21,910,543.50	
Increase in net profit	20,815,016.33	
Increase in net profit attributable to shareholders of the Company	15,738,343.39	

The change in above accounting estimate will have a certain impact on long-term equity investments and investment income of the Group in the future accounting period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**36. Changes in significant accounting policies and accounting estimates** - continued36.2 Changes in significant accounting estimates - continued36.2.3 Provision for resurfacing of Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway

As part of its responsibilities under the concession arrangement, Guangzhou-Shenzhen-Zhuhai Expressway Co., Ltd. ("Guangzhou-Shenzhen-Zhuhai Expressway"), a joint venture of the Group, is responsible for the maintenance and resurfacing of the toll roads operated by it, and provisions should be accrued for maintenance costs incurred, other than those attributable to renovation services. In view of that Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway is expected to be renovated and expanded, and according to the *Decision Analysis Report regarding the Pavement Maintenance of Guangzhou-Shenzhen Expressway for the Year 2024* issued by an external professional organization, it is determined that the technical condition of the existing pavement of Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway is basically maintained in a good state, and it is expected that the possibility of incurring large expenditure due to the resurfacing of the existing road sections in the remaining concession period is low, based on which the amount of provisions was re-estimated accordingly. The impact of change in accounting estimates on the Group's consolidated financial statements for the year 2023 is as follows:

RMB

Items in the consolidated statements of financial position	Amounts affected
Increase in long-term equity investments	182,297,803.95
Increase in equity attributable to shareholders of the Company	122,323,998.83
Items in the consolidated statement of profit or loss and other comprehensive income	Amounts affected
Increase in investment income	182,297,803.95
Increase in net profit	173,182,913.75
Increase in net profit attributable to shareholders of the Company	122,323,998.83

**37. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates**

In the application of accounting policies as set out in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates. The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**37. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates** - continued

*37.1 Critical judgements in applying accounting policies* - continued

**(1) Business model**

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale reasons, time, frequency and value of financial assets before the maturity date.

**(2) Principal/agent**

If the Group can control the project before transferring the agent project to the customer, it is the principal and recognizes the revenue based on the total consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue based on the amount of commission or handling charges that the Group is expected to be entitled to collect. This amount is determined based on the total consideration received or receivable net of amounts due to other related parties, or predefined amount or proportion of commission.

**(3) Lease term - Lease contract with a renewal option**

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

*37.2 Key assumptions and uncertainties in accounting estimates*

The followings are the critical judgments that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the financial statements:

**(1) Amortization of franchise rights associated with toll roads**

As stated in Note III, 23.1(1)(a), amortization of franchise rights associated with toll roads is provided under the traffic volume method. Appropriate adjustments to the amortization of franchise rights associated with toll roads will be made when there is a large difference between total projected traffic volume and the actual results.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**37. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates - continued**

*37.2 Key assumptions and uncertainties in accounting estimates - continued*

**(1) Amortization of franchise rights associated with toll roads - continued**

The management of the Company performs periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a large and continuous difference between projected and actual traffic volume.

**(2) Impairment of goodwill**

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

**(3) Impairment of long-term equity investments**

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

**(4) Impairment of franchise rights**

When considering the impairment of the franchise rights, the management of the Company calculates the present value of future cash flows to determine the recoverable amount. The assumptions of calculating the franchise rights associated with kitchen waste disposal project include the per unit waste disposal fee, production/processing capacity, operation duration, operating expenses and costs, and necessary return rate.

Under the previous assumptions, the Group's management considered that a franchise right had a recoverable amount higher than the carrying amount, and therefore provision for the impairment of a franchise right was not necessary during the current year. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**IV. TAXATION**

**1. Main categories and rates of taxes:**

Category	Tax base	Tax rate
Value added tax ("VAT")	Income from sale of goods and rendering of services (Note 1)	13%
	Income from real estate development	9%
	Taxable advertisement income	6%
	Income from entrusted management service and other businesses	6%
	Income from expressway toll road business	3% (Simple Method)
	Income from leases of tangible movable property	13%
	Income from sale and lease back business of tangible movable property	6%
	Construction income	9%
	Income from sale of electricity	13%
	Operating income from waste disposal (Note 1)	6%
	Property operating lease income	5% (Simple Method)
City maintenance and construction tax	Amount of commodity turnover tax payable	7%, 5%
Educational surcharge	Amount of commodity turnover tax payable	3%
Local educational surcharge	Amount of commodity turnover tax payable	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Enterprise income tax ("EIT")	Taxable income	Except subsidiaries in the following table, 25%
Land appreciation tax	Gain on the transfer of real estate	Four-level progressive rates, 30% -60%

The entities with different EIT rates are disclosed as follows:

Name of the entity	Income tax rate
Bay Area Development	For amount not exceeding HKD 2 million: 8.25%; for amount exceeding HKD 2 million: 16.5%
Wilberforce International Ltd. ("Wilberforce")	
Jiehao (British Virgin Islands) Co., Ltd. ("Jiehao")	
Shenzhen Investment Holdings Bay Area Management Company Limited ("Bay Area Management")	
Shenzhen Investment Holdings Bay Area Service Company Limited ("Bay Area Service")	
Shenzhen Investment Holdings Bay Area Financing Company Limited ("Bay Area Financing")	
Hopewell Guangzhu Expressway Development Co., Ltd. ("Hopewell Guangzhu Expressway")	
Guanjia (British Virgin Islands) Co., Ltd. ("Guanjia")	
Hopewell China Development (Superhighway) Limited ("Hopewell China Development")	

**IV. TAXATION - continued**

**1. Main categories and rates of taxes: - continued**

Note 1: According to the provisions of the *Announcement of the State Taxation Administration on Clarifying Several Issues Concerning the Administration of Collection of Value-Added Tax on the Dealing of Used Vehicles and Other Items* (Announcement No. 9 of the State Administration of Taxation [2020]), where no goods are generated after the professional disposal by means of landfill or incineration, among others, it shall be deemed that the entrusted party provides the "professional technical services" in the "Modern Services", and the VAT rate of 6% shall apply to the disposal expenses it collects.; where goods are generated after the professional disposal and the goods belongs to the entrusting party, it shall be deemed that the entrusted party provides the "processing services", and the VAT rate of 13% shall apply to the disposal expenses it collects; where goods are generated after the professional disposal and the goods belongs to the entrusted party, it shall be deemed that the entrusted party provides the "professional technical services", and the VAT rate of 6% shall apply to the disposal expenses it collects; where the entrusted party sells the goods, it is subject to the VAT rate for goods.

**2. Tax preference**

**(a) Preferential policies on 50% VAT refund on collection**

According to the provisions of the *Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Wind Power Generation* (Cai Shui [2015] No. 74), since 1 July 2015, taxpayers who sell their self-produced power products using wind power are subject to a 50% VAT refund policy. Subsidiaries of Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng"), including Baotou Lingxiang New Energy Co. Ltd. ("Baotou Lingxiang"), Damaoqi Nanchuan Wind Power Co., Ltd. ("Nanchuan Wind Power"), Damaoqi Ningyuan Wind Power Co., Ltd. ("Ningyuan Wind Power"), Damaoqi Ningxiang Wind Power Co., Ltd. ("Ningxiang Wind Power") and Damaoqi Ningfeng Wind Power Co., Ltd. ("Ningfeng Wind Power") (the subsidiaries of Baotou Nanfeng mentioned above are collectively referred to as the "wind power enterprises under Baotou Nanfeng"), Mulei Qianxin Energy Development Co., Ltd. ("Qianxin Company"), Mulei Qianzhi Energy Development Co., Ltd. ("Qianzhi Company"), Mulei Qianhui Energy Development Co., Ltd. ("Qianhui Company"), Ningxia Zhongwei Xintang New Energy Co., Ltd. ("Ningxia Zhongwei") and Yongcheng Zhuneng New Energy Technology Co., Ltd. ("Yongcheng Zhuneng") are wind power enterprises and enjoy the above tax preferences.

**(b) Preferential policies on VAT refund for the part of actual tax burden of VAT in excess of 3%**

According to the provisions of the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (Cai Shui [2016] No. 36), general taxpayers who provide pipeline transportation service, tangible movable property finance lease service and tangible movable property sale-leaseback financing service will enjoy a VAT refund for the part of actual tax burden of value added tax in excess of 3%. Shenzhen Expressway Financial Leasing Co., Ltd. ("Financial Leasing Company") provides tangible movable property sale-leaseback financing service and thus enjoys the above tax preferences.

**IV. TAXATION - continued**

**2. Tax preference - continued**

**(c) VAT exemption for elderly care services provided by elderly care institutions**

According to the provisions of the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (Cai Shui [2016] No. 36), elderly care services provided by elderly care institutions are exempt from VAT. Elderly care institutions refer to all types of elderly care institutions established and registered in accordance with the *Measures for Licensing for Establishing Elderly Care Institutions* (Order No. 48 of the Ministry of Civil Affairs) which provide centralized housing and care services for the elderly. Elderly care services refer to the living care, rehabilitation nursing, spiritual comfort, cultural entertainment and other services provided by the said institutions for the elderly in accordance with the *Measures for the Administration of Elderly Care Institutions* (Order No. 49 of the Ministry of Civil Affairs). Shenzhen Expressway Shengao Lekang Health Service (Shenzhen) Co., Ltd. ("Shengao Lekang") provides elderly care services and enjoys the above preferential policies.

**(d) Preferential policies on three years exemptions and three years half reduction of enterprise income tax**

According to the provisions of the *Enterprise Income Tax Law of the People's Republic of China*, for income of enterprises engaged in the investment and operation of public infrastructure projects supported by the state, from the tax year in which the project obtains the first production and operation income, the enterprise income tax will be exempted from the first to the third year, and the enterprise income tax will be levied by half from the fourth to sixth year. Projects of Wind power enterprises under Baotou Nanfeng, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Yongcheng Zhuneng and The Company and Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company") satisfy the tax preferences policies for public infrastructure projects supported by the state. Wind power enterprises under Baotou Nanfeng started grid-connected power generation in 2018 and obtained income from production and operation for the first time, the enterprise income tax is exempted from 2018 to 2020 and levied by half from 2021 to 2023.

Qianzhi Company, Qianhui Company, Ningxia Zhongwei and Yongcheng Zhuneng started grid-connected power generation in 2020 and obtained income from production and operation for the first time, the enterprise income tax is exempted from 2020 to 2022 and levied by half from 2023 to 2025.

Outer Ring Company started the operation of Outer Ring Expressway on 29 December 2020 and obtained income from operation for the first time, the enterprise income tax is exempted from 2020 to 2022 and levied by half from 2023 to 2025.

**IV. TAXATION - continued**

**2. Tax preference - continued**

**(d) Preferential policies on three years exemptions and three years half reduction of enterprise income tax - continued**

According to the provisions of Article 88 of the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China*, enterprises that engage in eligible environmental protection, energy conservation and water saving projects shall, from the tax year in which the production and business income of the project is obtained for the first time, be exempted from enterprise income tax for the first year to the third year, and halved from the fourth year to the sixth year. Longyou Bioland Environmental Technology Co., Ltd. ("Longyou Bioland") and Taizhou Bioland Environmental Technology Co., Ltd. ("Taizhou Bioland") engage in operation projects that meet the preferential policies on enterprise income tax for environmental protection and energy-saving water conservation project, the enterprise income tax is exempted from 2018 to 2020 and levied by half from 2021 to 2023.

Huangshi Huantou Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") engages in operation projects that meet the preferential policies on enterprise income tax for environmental protection and energy-saving water conservation project, the enterprise income tax is exempted from 2019 to 2021 and levied by half from 2022 to 2024.

Handan Bioland Renewable Resources Co., Ltd. ("Handan Bioland"), Zhuji Bioland Renewable Resources Co., Ltd. ("Zhuji Bioland"), Shangrao Bioland Environmental Protection Technology Co., Ltd. ("Shangrao Bioland"), Xinyu Bioland Renewable Resources Co., Ltd. ("Xinyu Bioland"), Fuzhou Bioland Environmental Protection Technology Co., Ltd. ("Fuzhou Bioland") and Sichuan Lansheng Environmental Protection Technology Co., Ltd. ("Sichuan Lansheng") engage in operation projects that meet the preferential policies on enterprise income tax for environmental protection and energy-saving water conservation project, the enterprise income tax is exempted from 2021 to 2023 and levied by half from 2024 to 2026.

Guilin Bioland Renewable Energy Co., Ltd. ("Guilin Bioland") and Inner Mongolia Chenghuan Bioland Renewable Resources Co., Ltd. ("Inner Mongolia Chenghuan Bioland") engage in operation projects that meet the preferential policies on enterprise income tax for environmental protection and energy-saving water conservation project, the enterprise income tax is exempted from 2022 to 2024 and levied by half from 2025 to 2027.

Chuzhou Bioland Environmental Protection Technology Co., Ltd. ("Chuzhou Bioland") engages in operation projects that meet the preferential policies on enterprise income tax for environmental protection and energy-saving water conservation project, the enterprise income tax is exempted from 2023 to 2025 and levied by half from 2026 to 2028.

**IV. TAXATION - continued**

**2. Tax preference - continued**

**(e) Preferential policies on reduction and exemption of enterprise income tax for ethnic minority regions**

According to the provisions of the *Notice of Joint Implementation of Preferential Enterprise Income Tax Policies for Ethnic Minority Autonomous Regions* by Guangdong Department of Finance, Guangdong Local Taxation Bureau and Guangdong State Taxation Bureau (Yue Cai fa [2017] No. 11), the enterprises in Lianshan Zhuang and Yao Autonomous Counties, Liannan Yao Autonomous County and other minority areas will be exempted from the local sharing part of enterprise income tax payable (including provincial and municipal and county levels), i.e., enterprise income tax is reduced and exempted by 40%. This policy is implemented from 1 January 2018 to 31 December 2025. Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd ("Guangdong New Energy") is registered in Liannan Yao Autonomous County, and enjoys a 40% reduction of enterprise income tax.

**(f) Preferential policies on enterprise income tax for the large-scale development of western China**

According to the provisions of *Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China* (Announcement No. 23 (2020) of the Ministry of Finance), the enterprise income tax is levied at a reduced rate of 15% for enterprises in encouraging industries located in Western China from 1 January 2021 to 31 December 2030. Wind power enterprises under Baotou Nanfeng, Qianxin Company, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Guangxi Bioland Renewable Energy Co., Ltd. ("Guangxi Bioland"), Inner Mongolia Chenghuan Bioland and Guiyang Bioland Environmental Technologies Co., Ltd. ("Guiyang Beier Bioland") are enterprises in encouraging industries located in the western region and enjoy the tax preference of calculating and paying enterprise income tax at the reduced tax rate of 15%.

**(g) Preferential policies on enterprise income tax for high-tech enterprises**

Shenzhen-Shanwei Special Cooperation Zone Qiantai Technology Co., Ltd. ("Qiantai Company") obtained the High-tech Enterprise Certificate (Certificate No. GR202344206897) on 12 December 2023, which is valid for three years. According to the relevant provisions of the *Enterprise Income Tax Law of the People's Republic of China*, Qiantai Company pays enterprise income tax at a tax rate of 15% for the year 2023, 2024 and 2025.

Shenzhen Expressway Infrastructure Environment Protection Development Co., Ltd. ("Infrastructure Environment Protection Development Company") obtained the High-tech Enterprise Certificate (Certificate No. GR202244204468) on 19 December 2022 which is valid for three years. According to the *Enterprise Income Tax Law of the People's Republic of China* and related regulations, Infrastructure Environment Protection Development Company pays enterprise income tax at a tax rate of 15% for the year 2022, 2023 and 2024.

**IV. TAXATION - continued**

**2. Tax preference - continued**

**(g) Preferential policies on enterprise income tax for high-tech enterprises - continued**

Shenzhen Lisai Environmental Protection Technology Co., Ltd. ("Lisai Environmental Protection") obtained the High-tech Enterprise Certificate (Certificate No. GR202244206664) on 19 December 2022, which is valid for three years. According to the relevant provisions of the Enterprise Income Tax Law of the People's Republic of China, Lisai Environmental Protection levies enterprise income tax at a tax rate of 15% for the year 2022, 2023 and 2024.

**(h) Income tax preference for small and micro enterprises**

In accordance with the *Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementation of Income Tax Preferential Policies for Small and Micro Enterprises* (No. 13 Announcement of the Ministry of Finance and the State Administration of Taxation in 2022) and the *Announcement on Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households* (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the annual taxable income of small and micro enterprises that is more than RMB 1 million but less than RMB 3 million is included in taxable income at a reduced rate of 25% and is subject to the enterprise income tax rate of 20% from 1 January 2022 and 31 December 2027.

In accordance with the *Announcement of the Ministry of Finance and the State Administration of Taxation on Income Tax Preferential Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (No. 6 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023) and the *Announcement on Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households* (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the annual taxable income of small and micro enterprises that is less than RMB 1 million is included in taxable income at a reduced rate of 25% and is subject to the enterprise income tax rate of 20% from 1 January 2023 and 31 December 2027.

Shenzhen Expressway Group Digital Technology Co. Ltd. ("Expressway Digital Technology"), Chuzhou Bioland, Longyou Bioland, Shenzhen Bioland Environmental Protection Technology Research and Design Institute Co., Ltd. ("Bioland Environmental Protection Technology") and Shenzhen Expressway Property Management Company Limited ("Property Management Company") are small and micro enterprises and thus enjoy the above preferential policies.

**IV. TAXATION - continued**

**2. Tax preference - continued**

**(i) "Six Taxes and Two Fees" reduction and exemption policies for micro and small enterprises**

In accordance with the *Announcement of the Ministry of Finance and the State Taxation Administration on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households* (Announcement No. 12 (2023) of the Ministry of Finance and the State Taxation Administration), from 1 January 2023 to 31 December 2027, small-scale VAT taxpayers, small and micro enterprises and individual industrial and commercial households are subject to a 50% reduction in the payment of resource tax (excluding water resource tax), city maintenance and construction tax, property tax, urban land-use tax, stamp duty (excluding stamp duty on securities transactions), cultivated land occupancy tax, educational surcharges and local educational surcharges.

Expressway Digital Technology, Chuzhou Bioland, Longyou Bioland, Bioland Environmental Protection Technology and Property Management Company are small and micro enterprises and thus enjoy the above preferential policies. Shenzhen Jinshen New Energy Co., Ltd. ("Jinshen New Energy") and Shengao Lekang are small-scale VAT taxpayers and thus enjoy the above preferential policies.

**(j) Preferential policies on exemption from property tax for three years**

According to Article 9 of the *Measures for the Implementation of Property Tax in Shenzhen Special Economic Zone* (Shen Fu [1987] No. 164), newly-built houses (excluding those built in violation of regulations) which are newly constructed or purchased by taxpayers are exempt from property tax for three years from the next month following the completion or purchases of the newly-built houses. Outer Ring Company enjoy this preferential policy from 2021 to 2023.

Apart from the above, there is no other tax preference that has a significant impact on the Group.

**3. Others**

According to the *Reply from the State Administration of Taxation Concerning about the Recognition as Resident Enterprises of Related Overseas Enterprises of Shenzhen Expressway Corporation Limited* (Guo Shui Han (2010) No. 651) issued by the State Administration of Taxation on 30 December 2010, Mei Wah (Hong Kong) Company ("Mei Wah Company"), Maxprofit Company and Jade Emperor Limited ("JEL Company") were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

According to the *Certificate of Resident Status of Overseas Registered Chinese Holding Enterprises* issued by Shenzhen Taxation Bureau of the State Administration of Taxation (Shen Shui Ju Gao [2020] No. 4, Shen Shui Ju Gao [2022] No. 1), Fameluxe Investment Limited and China Logistics Finance Services Co., Ltd. ("Logistics Finance Company") were recognized as a resident enterprise of China and would be subject to the relevant taxation administration. This came into effect for Fameluxe Investment Limited in 2020, and came into effect for Logistics Finance Company in 2022.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at banks and on hand

Item	RMB	
	31 December 2023	31 December 2022
Cash on hand:	6,881,214.18	9,205,134.25
RMB	6,852,199.49	9,155,309.10
HKD	28,781.92	49,607.03
EUR	94.31	89.07
JPY	19.08	19.91
Franc	98.50	88.26
Peseta	20.88	20.88
Bank deposits:	2,089,053,154.85	3,537,493,482.47
RMB	2,025,261,672.95	3,444,132,683.24
HKD	55,768,062.22	85,457,200.07
USD	8,023,419.68	7,903,599.16
Others:	56,433,264.02	88,934,042.00
RMB	56,353,988.49	88,911,126.63
HKD	79,275.53	22,915.37
Interest receivable on bank deposits	-	229,500.00
<b>Total</b>	<b>2,152,367,633.05</b>	<b>3,635,862,158.72</b>
Including: Total amount deposited abroad	180,530,811.85	442,387,618.80

As at 31 December 2023, the Group's restricted funds are listed as follows:

Item	RMB	
	31 December 2023	31 December 2022
Regulated equity acquisition funds	211,058.04	212,356,372.09
Special account for project management	4,237,645.58	21,194,557.46
Security deposits	34,629,682.33	55,633,451.03
Frozen funds due to litigation	158,069,019.78	149,445,610.73
<b>Total</b>	<b>197,147,405.73</b>	<b>438,629,991.31</b>

2. Transactional financial assets

Category	RMB	
	31 December 2023	31 December 2022
Financial assets at FVTPL	468,792,208.25	1,112,243,771.54
Including:		
Structural deposits	320,372,339.72	901,439,630.14
Compensation for valuation adjustment mechanism receivable	148,419,868.53	210,804,141.40
<b>Total</b>	<b>468,792,208.25</b>	<b>1,112,243,771.54</b>

3. Bills receivable

(1) Categories of bills receivable

Category	RMB	
	31 December 2023	31 December 2022
Bank acceptance bills	500,000.00	3,500,000.00
Commercial acceptance bills	-	-
<b>Total</b>	<b>500,000.00</b>	<b>3,500,000.00</b>

The Group considers that the bank acceptances bills held by it were accepted by banks with high credit ratings and there was no significant credit risk, therefore no bad debt provision was made.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

- continued

3. Bills receivable - continued

(2) The Group had no bills receivable pledged at the end of the year

(3) Bills receivable that had been endorsed or discounted by the Group at the end of the year but were not due as at the balance sheet date

RMB

Item	31 December 2023		31 December 2022	
	Amount derecognized at the end of the year	Amount not derecognized at the end of the year	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance bills	-	-	-	1,700,000.00
<b>Total</b>	-	-	-	<b>1,700,000.00</b>

(4) As at 31 December 2023, the Group had no bills that were converted into accounts receivable due to the failure to perform the contract by drawer.

4. Accounts receivable

(1) Accounts receivable disclosed by aging

Aging	31 December 2023	31 December 2022
Within 1 year	559,540,282.52	574,068,324.23
1 to 2 years	164,463,453.31	243,591,659.80
2 to 3 years	189,609,768.02	269,713,590.76
Over 3 years	227,406,909.92	76,151,150.17
<b>Total</b>	<b>1,141,020,413.77</b>	<b>1,163,524,724.96</b>

(2) Accounts receivable disclosed by method of bad debt provision

RMB

Category	31 December 2023					31 December 2022				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed on an individual basis										
Provision assessed on an individual basis	97,078,696.46	8.51	64,055,138.30	65.98	33,023,558.16	57,597,180.02	4.95	36,736,521.02	63.78	20,860,659.00
Bad debt provision assessed on a portfolio basis										
Portfolio I	234,267,133.83	20.53	-	-	234,267,133.83	133,653,033.13	11.49	-	-	133,653,033.13
Portfolio II	295,534,935.39	25.90	48,205,729.70	16.31	247,329,205.69	431,354,819.18	37.07	36,502,914.94	8.46	394,851,904.24
Portfolio III	140,261,764.61	12.29	50,936,570.57	36.32	89,325,194.04	117,638,461.08	10.11	36,954,338.59	31.41	80,684,122.49
Portfolio IV	373,877,883.48	32.77	10,335,882.12	2.76	363,542,001.36	423,281,231.55	36.38	1,067,937.34	0.25	422,213,294.21
<b>Total</b>	<b>1,141,020,413.77</b>	<b>100.00</b>	<b>173,533,320.69</b>		<b>967,487,093.08</b>	<b>1,163,524,724.96</b>	<b>100.00</b>	<b>111,261,711.89</b>		<b>1,052,263,013.07</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

4. Accounts receivable - continued

(2) Accounts receivable disclosed by method of bad debt provision - continued

Bad debt provision assessed on an individual basis

RMB

Name	31 December 2023			Reason for provision
	Gross carrying amount	Bad debt provision	Proportion (%)	
Customer I	35,492,465.65	21,067,607.90	59.36	It is expected that some of the receivables are irrecoverable
Customer II	434,987.94	434,987.94	100.00	It is expected to be irrecoverable
Customer III	26,250,000.00	14,772,521.02	56.28	It is expected that some of the receivables are irrecoverable
Customer IV	28,364,000.00	24,511,400.00	86.42	It is expected that some of the receivables are irrecoverable
Customer V	6,537,242.87	3,268,621.44	50	It is expected that some of the receivables are irrecoverable
<b>Total</b>	<b>97,078,696.46</b>	<b>64,055,138.30</b>		

Bad debt provision assessed on a portfolio basis:

The accounts receivable for which the bad debt provision is assessed by aging analysis method in portfolio II, portfolio III and portfolio IV:

RMB

Portfolio II	31 December 2023		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	1,246,090.95	8,839.06	0.71
2 to 3 years	166,358,706.92	15,517,238.46	9.33
Over 3 years	127,930,137.52	32,679,652.18	25.54
<b>Total</b>	<b>295,534,935.39</b>	<b>48,205,729.70</b>	

RMB

Portfolio III	31 December 2023		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	59,948,087.78	1,175,735.90	1.96
1 to 2 years	30,955,964.42	6,841,541.26	22.10
2 to 3 years	6,136,082.21	2,101,421.20	34.25
Over 3 years	43,221,630.20	40,817,872.21	94.44
<b>Total</b>	<b>140,261,764.61</b>	<b>50,936,570.57</b>	

RMB

Portfolio IV	31 December 2023		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	318,147,857.67	6,690,573.22	2.10
1 to 2 years	55,730,025.81	3,645,308.90	6.54
<b>Total</b>	<b>373,877,883.48</b>	<b>10,335,882.12</b>	

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**4. Accounts receivable - continued**

(2) Accounts receivable disclosed by method of bad debt provision - continued

Measurement of expected credit losses at an amount equivalent to the lifetime ECL

RMB

Bad debt provision	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2023	74,525,190.87	36,736,521.02	111,261,711.89
- Transfer into those credit-impaired	(718,927.67)	718,927.67	-
- Reversal of those not credit-impaired	-	-	-
Provision	35,671,919.19	26,599,689.61	62,271,608.80
Reversal	-	-	-
Transfer out due to derecognition of financial assets (including direct write-down)	-	-	-
Other changes	-	-	-
<b>31 December 2023</b>	<b>109,478,182.39</b>	<b>64,055,138.30</b>	<b>173,533,320.69</b>

(3) Details of bad debt provision

RMB

Category	1 January 2023	Changes for the year				31 December 2023
		Provision	Recovery or reversal	Write-off or charge-off	Other changes	
Accounts receivable for which bad debt provision is assessed on an individual basis	36,736,521.02	26,599,689.61	-	-	718,927.67	64,055,138.30
Accounts receivable for which bad debt provision is assessed on a portfolio basis according to credit risk characteristics	74,525,190.87	35,671,919.19	-	-	(718,927.67)	109,478,182.39
<b>Total</b>	<b>111,261,711.89</b>	<b>62,271,608.80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173,533,320.69</b>

In 2023, the Group had no recovery or reversal of bad debt provision which was individually significant.

(4) In 2023, no accounts receivable has been written off.

(5) Top five accounts receivable and contract assets categorized by debtor

RMB

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion to total closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Total of top five accounts receivable and contract assets as at 31 December 2023	457,249,580.00	76,881,653.66	534,131,233.66	34.33	97,257,646.77

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

5. Prepayments

(1) Prepayments presented by aging

RMB

Aging	31 December 2023		31 December 2022	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	233,050,857.20	93.94	207,607,247.43	92.06
1 to 2 years	2,781,366.90	1.12	17,682,668.05	7.84
2 to 3 years	12,041,464.89	4.86	219,151.77	0.10
Over 3 years	209,893.07	0.08	226.00	-
<b>Total</b>	<b>248,083,582.06</b>	<b>100.00</b>	<b>225,509,293.25</b>	<b>100.00</b>

(2) Prepayments presented by nature:

RMB

Item	31 December 2023	31 December 2022
Prepayments for materials	195,330,287.46	178,031,919.20
Others	52,753,294.60	47,477,374.05
<b>Total</b>	<b>248,083,582.06</b>	<b>225,509,293.25</b>

As at 31 December 2023, the prepayments aged over 1 year mainly represent the prepayments for materials. As the materials had not yet been delivered or signed for warehousing, the prepayments remain outstanding.

(3) Top five prepayments categorized by payee

RMB

Name of entity	Relationship with the Group	Gross carrying amount	Aging	Proportion to total prepayments (%)
Total of top five prepayments as at 31 December 2023	Non-related party	169,480,955.75	Within 1 year	68.32

6. Other receivables

6.1 Presentation of other receivables

RMB

Item	31 December 2023	31 December 2022
Dividends receivable	-	181,376,782.72
Other receivables	602,215,140.81	940,252,209.69
<b>Total</b>	<b>602,215,140.81</b>	<b>1,121,628,992.41</b>

6.2 Dividends receivable

RMB

Investee	31 December 2023	31 December 2022
Guangzhou-Shenzhen-Zhuhai Expressway	-	181,376,782.72
<b>Total</b>	<b>-</b>	<b>181,376,782.72</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

6. Other receivables - continued

6.3 Other receivables

(1) Other receivables disclosed by aging

RMB

Aging	31 December 2023	31 December 2022
Within 1 year	349,597,998.42	518,762,688.32
1 to 2 years	13,852,013.22	178,693,252.36
2 to 3 years	169,473,184.24	102,735,493.19
Over 3 years	97,885,172.89	147,029,895.71
Sub-total	630,808,368.77	947,221,329.58
Less: Bad debt provision of other receivables	28,593,227.96	6,969,119.89
<b>Total</b>	<b>602,215,140.81</b>	<b>940,252,209.69</b>

(2) Classification of other receivables by nature

RMB

Nature	31 December 2023	31 December 2022
Receivables from related parties (Note XI, 6(1))	89,127,581.88	298,897,320.68
Advances receivable	12,085,156.12	235,425,413.45
Receivables from third parties	301,310,479.29	210,315,511.63
Deposits and security deposit	70,044,741.99	74,371,425.14
Employee advance loan	6,942,183.75	3,686,005.04
Administrative reserve	1,621,848.20	2,837,649.98
Others	149,676,377.54	121,688,003.66
<b>Total</b>	<b>630,808,368.77</b>	<b>947,221,329.58</b>

(3) Provision of bad debts

RMB

Bad debt provision	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
1 January 2023	6,969,119.89	-	-	6,969,119.89
-- Transfer into Stage II	-	-	-	-
-- Transfer into Stage III	-	-	-	-
-- Reverse to Stage II	-	-	-	-
-- Reverse to Stage I	-	-	-	-
Provision	21,624,108.07	-	-	21,624,108.07
Reversal	-	-	-	-
Transfer out due to derecognition of financial assets (including direct write-down)	-	-	-	-
Other changes	-	-	-	-
31 December 2023	28,593,227.96	-	-	28,593,227.96

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**6. Other receivables - continued**

6.3 Other receivables - continued

(4) Details of bad debt provision

RMB

Category	1 January 2023	Changes for the year			31 December 2023
		Provision	Recovery or reversal	Write-off or charge-off	
Other receivables for which bad debt provision is assessed on a portfolio basis	6,969,119.89	21,624,108.07	-	-	28,593,227.96

(5) Top five other receivables categorized by debtor

RMB

Item	Closing balance	Proportion to total closing balance of other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
Total of top five other receivables as at 31 December 2023	477,168,015.79	75.64	Receivables from related parties, advances receivable	Within 1 year, 1 to 2 years, 2 to 3 years	19,426,495.34

**7. Inventories**

(1) Categories of inventories

RMB

Item	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for decline in value	Carrying amount	Gross carrying amount	Provision for decline in value	Carrying amount
Properties held for development (Note 1)	255,588,404.50	-	255,588,404.50	254,000,155.96	-	254,000,155.96
Properties under development (Note 2)	103,688,351.51	-	103,688,351.51	101,081,878.68	-	101,081,878.68
Properties held for sale (Note 3)	620,852,765.61	-	620,852,765.61	534,923,450.11	-	534,923,450.11
Raw materials	285,767,030.43	107,978,328.25	177,788,702.18	291,987,813.12	61,144,810.12	230,843,003.00
Work in progress	181,145,606.61	109,679,937.21	71,465,669.40	173,997,247.29	44,538,598.76	129,458,648.53
Goods on hand	147,970,514.54	24,134,161.23	123,836,353.31	64,120,269.89	3,883,176.29	60,237,093.60
Low value consumables and others	2,343,766.98	-	2,343,766.98	3,718,726.93	-	3,718,726.93
<b>Total</b>	<b>1,597,356,440.18</b>	<b>241,792,426.69</b>	<b>1,355,564,013.49</b>	<b>1,423,829,541.98</b>	<b>109,566,585.17</b>	<b>1,314,262,956.81</b>

Note 1: Properties held for development represent the lands to be developed under Phase II Stage III and Phase III Stage II of Youshan Villa project by Guizhou Shenzhen Expressway Land Co., Ltd. ("Guizhou Land"), and to be developed by Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment") and Guizhou Yefengrui Land Limited Company ("Yefengrui Land"), all of them are subsidiaries of the Company.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

7. Inventories - continued

(1) Categories of inventories - continued

Note 2: Properties under development

RMB

Name of project	31 December 2023	31 December 2022
Public area to be amortized	103,688,351.51	101,081,878.68
<b>Total</b>	<b>103,688,351.51</b>	<b>101,081,878.68</b>

Note 3: Properties held for sale

RMB

Name of project	Time of completion	1 January 2023	Addition	Reduction	31 December 2023	Closing balance of provision for decline in value
Phase I Stage I of Youshan Villa	December 2016	11,176,877.24	-	-	11,176,877.24	-
Phase II Stage II of Youshan Villa	April 2019	46,251,723.77	-	-	46,251,723.77	-
Phase III Stage I of Youshan Villa	November 2020	17,554,210.44	-	13,566,507.83	3,987,702.61	-
Phase III Stage III of Youshan Villa	August 2022	459,940,638.66	164,125,783.32	64,629,959.99	559,436,461.99	-
<b>Total</b>		<b>534,923,450.11</b>	<b>164,125,783.32</b>	<b>78,196,467.82</b>	<b>620,852,765.61</b>	-

(2) Provision for decline in value of inventories

RMB

Item	1 January 2023	Provision	Reversal	Write-off	31 December 2023
Raw materials	61,144,810.12	46,833,518.13	-	-	107,978,328.25
Work in progress	44,538,598.76	65,141,338.45	-	-	109,679,937.21
Goods on hand	3,883,176.29	20,250,984.94	-	-	24,134,161.23
<b>Total</b>	<b>109,566,585.17</b>	<b>132,225,841.52</b>	-	-	<b>241,792,426.69</b>

Provision for decline in value of inventories made on a portfolio basis

RMB

Name of portfolio	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for decline in value	Proportion of provision for decline in value (%)	Gross carrying amount	Provision for decline in value	Proportion of provision for decline in value (%)
Wind turbine equipment	418,269,225.51	209,601,434.15	50.11	395,051,107.46	95,074,711.53	24.07
Power batteries	119,987,325.97	17,699,118.90	14.75	54,803,480.72	-	-
Kitchen waste disposal equipment	67,667,951.71	14,375,730.13	21.24	64,166,828.00	14,375,730.13	22.40
Real estate inventories	980,129,521.62	-	-	890,005,484.75	-	-
Others	11,302,415.37	116,143.51	1.03	19,802,641.05	116,143.51	0.59
<b>Total</b>	<b>1,597,356,440.18</b>	<b>241,792,426.69</b>		<b>1,423,829,541.98</b>	<b>109,566,585.17</b>	

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued**

**7. Inventories - continued**

(3) Descriptions on capitalized borrowing costs included in the closing balance of inventories

In 2023, the amount of capitalized interest included in inventories was RMB nil (2022: RMB 1,924,457.48), and the capitalization rate used to recognize the capitalization amount was nil (2022: 4.75%). As at 31 December 2023, the amount of capitalized interest included in the closing balance of inventories was RMB 3,027,433.33 (31 December 2022: RMB 3,662,855.01).

**8. Contract assets**

(1) Details of contract assets

RMB

Item	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Contract assets over one year (Note)	2,661,993,597.28	-	2,661,993,597.28	2,640,721,802.69	-	2,640,721,802.69
Agent-construction receivables	277,580,031.21	3,304,869.42	274,275,161.79	295,419,726.44	3,304,869.42	292,114,857.02
Warranties receivable	69,502,219.88	343,019.88	69,159,200.00	73,757,219.88	343,019.88	73,414,200.00
Kitchen waste engineering construction receivables	67,947,904.19	16,471,364.68	51,476,539.51	28,283,661.48	16,471,364.68	11,812,296.80
<b>Sub-total</b>	<b>3,077,023,752.56</b>	<b>20,119,253.98</b>	<b>3,056,904,498.58</b>	<b>3,038,182,410.49</b>	<b>20,119,253.98</b>	<b>3,018,063,156.51</b>
Less: Contract assets over 1 year	2,661,993,597.28	-	2,661,993,597.28	2,640,721,802.69	-	2,640,721,802.69
<b>Total</b>	<b>415,030,155.28</b>	<b>20,119,253.98</b>	<b>394,910,901.30</b>	<b>397,460,607.80</b>	<b>20,119,253.98</b>	<b>377,341,353.82</b>

Note: Refer to Note V, 22.

(2) Amount and reason for the significant changes in carrying amount for the year

RMB

Item	Amount of changes	Reason for changes
Agent-construction receivables	(17,839,695.23)	Carry forward contract assets based on project settlement situation for the year
Kitchen waste engineering construction receivables	39,664,242.71	Increase in contract assets recognized based on project progress for the year

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8. Contract assets - continued

(3) Contract assets disclosed by method of bad debt provision

RMB

Category	31 December 2023					31 December 2022				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed on an individual basis	3,304,869.42	0.11	3,304,869.42	100.00	-	3,304,869.42	0.11	3,304,869.42	100.00	-
Bad debt provision assessed on a portfolio basis	3,073,718,883.14	99.89	16,814,384.56		3,056,904,498.58	3,034,877,541.07	99.89	16,814,384.56		3,018,063,156.51
Including:										
<i>Portfolio I</i>	2,936,268,759.07	95.42	-	-	2,936,268,759.07	2,932,836,659.71	96.53	-	-	2,932,836,659.71
<i>Portfolio II</i>	69,502,219.88	2.26	343,019.88	0.49	69,159,200.00	73,757,219.88	2.43	343,019.88	0.47	73,414,200.00
<i>Portfolio III</i>	67,947,904.19	2.21	16,471,364.68	24.24	51,476,539.51	28,283,661.48	0.93	16,471,364.68	58.24	11,812,296.80
<b>Total</b>	<b>3,077,023,752.56</b>	<b>100.00</b>	<b>20,119,253.98</b>		<b>3,056,904,498.58</b>	<b>3,038,182,410.49</b>	<b>100.00</b>	<b>20,119,253.98</b>		<b>3,018,063,156.51</b>

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS -  
continued

8. Contract assets - continued

(3) Contract assets disclosed by method of bad debt provision - continued

Bad debt provision assessed on an individual basis

RMB

Bad debt provision assessed on an individual basis	31 December 2023			Reason for provision
	Gross carrying amount	Bad debt provision	Proportion (%)	
Shenhshan Houmen Project	3,304,869.42	3,304,869.42	100.00	It is expected that the agent-construction fee is irrecoverable
<b>Total</b>	<b>3,304,869.42</b>	<b>3,304,869.42</b>		

Bad debt provision assessed on a portfolio basis

RMB

Portfolio II	31 December 2023		
	Gross carrying amount	Bad debt provision	Proportion (%)
Customers in wind turbine generators sales industry (warranties receivable)	69,502,219.88	343,019.88	0.49
<b>Total</b>	<b>69,502,219.88</b>	<b>343,019.88</b>	

RMB

Portfolio III	31 December 2023		
	Gross carrying amount	Bad debt provision	Proportion (%)
Within 1 year	28,669,872.61	-	-
1 to 2 years	18,443,447.72	2,611,955.16	14.16
2 to 3 years	6,181,378.44	1,517,508.79	24.55
3 to 4 years	253,077.91	139,050.20	54.94
4 to 5 years	4,085,076.05	3,363,887.90	82.35
Over 5 years	10,315,051.46	8,838,962.63	85.69
<b>Total</b>	<b>67,947,904.19</b>	<b>16,471,364.68</b>	

Measurement of expected credit losses at an amount equivalent to the lifetime ECL

RMB

Bad debt provision	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2023	16,814,384.56	3,304,869.42	20,119,253.98
- Transfer into those credit-impaired	-	-	-
- Reversal of those not credit-impaired	-	-	-
Provision	-	-	-
Reversal	-	-	-
Transfer out due to derecognition	-	-	-
Other changes	-	-	-
<b>31 December 2023</b>	<b>16,814,384.56</b>	<b>3,304,869.42</b>	<b>20,119,253.98</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

8. Contract assets - continued

(4) Provision for credit losses of contract assets for the year

RMB

Category	1 January 2023	Provision	Reversal	Write-off/ Charge-off	Changes for the year	31 December 2023
Agent-construction receivables	3,304,869.42	-	-	-	-	3,304,869.42
Warranties receivable	343,019.88	-	-	-	-	343,019.88
Kitchen waste engineering construction receivables	16,471,364.68	-	-	-	-	16,471,364.68
<b>Total</b>	<b>20,119,253.98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,119,253.98</b>

9. Non-current assets due within one year

RMB

Item	31 December 2023	31 December 2022
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd. (Note)	9,412,279.18	52,377,212.17
Financial leasing receivables (Note)	260,026,234.70	145,910,867.47
<b>Sub-total</b>	<b>269,438,513.88</b>	<b>198,288,079.64</b>
Less: Provision for bad debts	4,663,943.75	1,583,857.33
<b>Total</b>	<b>264,774,570.13</b>	<b>196,704,222.31</b>

Note: Please refer to Note V, 12.

10. Other current assets

RMB

Item	31 December 2023	31 December 2022
Pending deduction of input value-added tax	268,559,421.98	240,144,678.43
Certificates of time deposits	204,392,500.00	-
Prepaid tax	24,127,401.93	17,661,065.72
<b>Total</b>	<b>497,079,323.91</b>	<b>257,805,744.15</b>

11. Long-term prepayments

RMB

Item	31 December 2023	31 December 2022
Prepayments for acquisition and construction of long-term assets	134,180,514.54	589,559,480.09
Prepayments for reconstruction and expansion of Shenzhen Airport-Heao Expressway	195,940,689.80	291,600,725.90
Prepaid project fund of Outer Ring Company	24,740,925.26	63,608,512.06
Prepaid project fund of Guangming Environment project	1,870,868.86	29,543,364.49
Prepayments for equipment under financial leasing of Financial Leasing Company	-	22,567,974.20
<b>Total</b>	<b>356,732,998.46</b>	<b>996,880,056.74</b>

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FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Long-term receivables

(1) Details of long-term receivables

Item	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Financial leasing receivables (Note 1)	1,313,436,928.10	21,883,569.82	1,291,553,358.28	1,185,090,984.80	22,432,158.58	1,162,658,826.22
Electricity compensation income (Note 2)	1,270,230,085.06	22,302,840.47	1,247,927,244.59	1,088,459,539.35	5,442,297.69	1,083,017,241.66
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	60,229,723.92	-	60,229,723.92	103,194,656.91	-	103,194,656.91
<b>Sub-total</b>	<b>2,643,896,737.08</b>	<b>44,186,410.29</b>	<b>2,599,710,326.79</b>	<b>2,376,745,181.06</b>	<b>27,874,456.27</b>	<b>2,348,870,724.79</b>
Less: Long-term receivables due within one year (Note V, 9)	269,438,513.88	4,663,943.75	264,774,570.13	198,288,079.64	1,583,857.33	196,704,222.31
Including: Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	9,412,279.18	-	9,412,279.18	52,377,212.17	-	52,377,212.17
Financial leasing receivables (Note 1)	260,026,234.70	4,663,943.75	255,362,290.95	145,910,867.47	1,583,857.33	144,327,010.14
<b>Total</b>	<b>2,374,458,223.20</b>	<b>39,522,466.54</b>	<b>2,334,935,756.66</b>	<b>2,178,457,101.42</b>	<b>26,290,598.94</b>	<b>2,152,166,502.48</b>

Note 1: It represents the rents and interest of equipment under financial leasing receivable by Financial Leasing Company, the Company's subsidiary. As at 31 December 2023, the financial leasing receivables amounted to RMB 1,313,436,928.10 (31 December 2022: RMB 1,185,090,984.80).

Note 2: It represents the electricity compensation which has not been received by Baotou Nanfeng, Qianzhi Company, Qianxin Company, Qianhui Company, Yongcheng Zhuneng and Ningxia Zhongwei, subsidiaries of the Group engaged in new energy business. In 2023, the subsidy income recognized by the aforesaid companies based on relevant documents amounted to RMB 403,617,224.96, and the subsidy received in 2023 amounted to RMB 221,846,679.25.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**12. Long-term receivables - continued**

(2) Long-term receivables disclosed by method of bad debt provision

RMB

Category	31 December 2023					31 December 2022				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed on a portfolio basis:										
Portfolio I	60,229,723.92	2.28	-	-	60,229,723.92	103,194,656.91	4.34	-	-	103,194,656.91
Portfolio II (Financial leasing receivables)	1,313,436,928.10	49.68	21,883,569.82	1.67	1,291,553,358.28	1,185,090,984.80	49.86	22,432,158.58	1.89	1,162,658,826.22
Portfolio III (Electricity compensation income)	1,270,230,085.06	48.04	22,302,840.47	1.76	1,247,927,244.59	1,088,459,539.35	45.80	5,442,297.69	0.50	1,083,017,241.66
Total	2,643,896,737.08	100.00	44,186,410.29		2,599,710,326.79	2,376,745,181.06	100.00	27,874,456.27		2,348,870,724.79

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Long-term receivables - continued

(2) Long-term receivables disclosed by method of bad debt provision - continued

Bad debt provision assessed on a portfolio basis

RMB

Portfolio I	31 December 2023		
	Gross carrying amount	Bad debt provision	Proportion (%)
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	60,229,723.92	-	-

RMB

Portfolio II (Financial leasing receivables)	31 December 2023		
	Gross carrying amount	Bad debt provision	Proportion (%)
<i>Normal</i>	644,923,597.22	6,604,147.82	1.02
<i>Attention</i>	668,513,330.88	15,279,422.00	2.29
<b>Total</b>	<b>1,313,436,928.10</b>	<b>21,883,569.82</b>	

RMB

Portfolio III (Electricity compensation income)	31 December 2023		
	Gross carrying amount	Bad debt provision	Proportion (%)
<i>Approval for electricity compensation has been obtained</i>	1,120,446,131.15	5,602,230.66	0.50
<i>Under approval for electricity compensation</i>	149,783,953.91	16,700,609.81	11.15
<b>Total</b>	<b>1,270,230,085.06</b>	<b>22,302,840.47</b>	

Provision for bad debts based on general model of expected credit losses:

RMB

Bad debt provision	Stage I 12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2023	27,874,456.27	-	-	27,874,456.27
-- Transfer into Stage II	-	-	-	-
-- Transfer into Stage III	-	-	-	-
-- Reverse to Stage II	-	-	-	-
-- Reverse to Stage I	-	-	-	-
Provision	19,940,629.20	-	-	19,940,629.20
Reversal	3,628,675.18	-	-	3,628,675.18
Transfer out due to derecognition of financial assets (including direct write-down)	-	-	-	-
Other changes	-	-	-	-
31 December 2023	44,186,410.29	-	-	44,186,410.29

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
Financial leasing receivables	22,432,158.58	3,080,086.42	3,628,675.18	21,883,569.82
Electricity compensation income	5,442,297.69	16,860,542.78	-	22,302,840.47
<b>Total</b>	<b>27,874,456.27</b>	<b>19,940,629.20</b>	<b>3,628,675.18</b>	<b>44,186,410.29</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13. Long-term equity investments

RMB

Investee	1 January 2023	Changes for the year							31 December 2023	Shareholdings (%)	Provision for impairment at 31 December 2023
		Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Cash dividend or profit declared	Provision for impairment	Others			
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	449,038,114.64	-	-	56,101,199.52	-	(50,801,306.53)	-	-	454,338,007.63	35.00	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	831,127,311.40	-	-	38,150,403.30	-	(32,501,498.89)	-	-	836,776,215.81	25.00	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	321,828,011.03	-	-	55,876,254.74	-	(43,327,500.00)	-	-	334,376,765.77	25.00	-
Shenzhen International United Land Company Limited ("United Land Company") (Note 1)	23,392,242.61	-	-	624,673,799.06	-	-	-	29,590,610.00	677,656,651.67	34.30	-
Chongqing Derun Environment Co., Limited ("Derun Environment")	5,061,201,366.80	-	-	178,757,592.72	10,178,968.61	(168,000,000.00)	-	(3,913,171.20)	5,078,224,756.93	20.00	-
Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) ("Shengchuang Fund")	118,382,068.13	-	-	(6,042,556.89)	-	-	-	-	112,339,511.24	45.00	-
Shenzhen Fenghe Energy Investment Co., Ltd. ("Fenghe Energy")	213,223,929.34	-	-	17,095,194.04	2,195,062.10	-	-	-	232,514,185.48	50.00	-
Guangzhou-Shenzhen-Zhuhai Expressway	5,046,576,853.72	-	-	196,001,404.82	-	(108,000,000.00)	-	-	5,134,578,258.54	45.00	-
Guangdong Guangzhou-Zhuhai West Line Expressway Co., Ltd. ("Guangzhou-Zhuhai West Line Expressway")	3,529,445,345.37	-	-	106,238,672.07	-	(111,822,142.97)	-	-	3,523,861,874.47	50.00	-
Guangzhou Zhentong Industrial Development Co., Ltd. ("Xintang Joint Venture") (Note 2)	390,710,484.05	-	-	41,918,730.15	-	-	-	-	432,629,214.20	15.00	-
Others (Note 3)	1,764,144,221.28	-	-	168,997,049.81	16,372,301.60	(30,166,849.15)	-	(20,820,044.54)	1,898,526,679.00	-	-
<b>Total</b>	<b>17,749,069,948.37</b>	<b>-</b>	<b>-</b>	<b>1,477,767,743.34</b>	<b>28,746,332.31</b>	<b>(544,619,297.54)</b>	<b>-</b>	<b>4,857,394.26</b>	<b>18,715,822,120.74</b>		<b>-</b>

Note 1: It represents the sales revenue realized from United Land Company's real estate development & construction projects during the year. The Group shares the net profit (net of gains and losses from upstream transactions incurred in the year) of United Land Company in proportion to its shareholding, and reverses the unrealized gains and losses from internal transactions eliminated in prior years based on the selling proportion of the urban renewal project on Meilin Checkpoint of United Land Company.

Note 2: Bay Area Development, a subsidiary of the Company, has appointed one director to the Board of Directors of Xintang Joint Venture, which has a significant impact on its operation and financial decisions.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**13. Long-term equity investments - continued**

Note 3: Others include the Group's associates and joint ventures Yunji Smart Engineering Co., Ltd. ("Yunji Smart"), Shenzhen Huayu Expressway Investment Co., Ltd. ("Huayu Company"), Guizhou Hengtongli Property Co., Ltd. ("Guizhou Hengtongli"), Bank of Guizhou Co., Ltd. ("Bank of Guizhou"), Shenzhen Guangming Fengrunjiu Health Service Co., Ltd. ("Guangming Fengrunjiu") and Huai'an Zhongheng New Energy Co., Ltd. ("Huai'an Zhongheng").

**14. Other non-current financial assets**

	RMB	
Item	31 December 2023	31 December 2022
Shenzhen Water Planning & Design Institute Co., Ltd. ("Water Planning & Design Institute")	346,519,804.81	246,936,713.24
Shenzhen State Owned Cooperative Development Private Equity Fund Partnership (Limited Partnership) ("Cooperative Development Fund")	328,721,725.86	308,486,714.70
Guangdong United Electronic Service Co., Ltd. ("United Electronic")	184,699,801.59	173,913,232.50
Guangdong Heyuan Rural Commercial Bank Co., Ltd.	22,503,680.00	22,503,680.00
Guangdong Zijin Rural Commercial Bank Co., Ltd.	9,180,560.00	9,180,560.00
Yiwu Shenneng Renewable Resources Utilization Co., Ltd. ("Yiwu Shenneng")	3,443,730.00	2,243,730.00
<b>Total</b>	<b>895,069,302.26</b>	<b>763,264,630.44</b>

In 2023, the amount of such equity instruments increased by RMB 131,804,671.82, of which RMB 1,200,000.00 was invested in the cost of Yiwu Shenneng, and the gains from changes in fair value of such equity investments were RMB 130,604,671.82 (2022: gains from changes in fair value were RMB 24,418,156.18) in total. Please refer to Note V, 56.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

15. Investment properties

(1) Investment properties measured at cost

			RMB
Item	Parking space (Note)	Buildings	Total
<b>I. Cost</b>			
1. 1 January 2023	18,180,000.00	18,172,660.84	36,352,660.84
2. Additions	-	547,481.14	547,481.14
(1) Transfer from fixed assets	-	547,481.14	547,481.14
3. Reductions	-	2,577,765.20	2,577,765.20
(1) Transfer to fixed assets	-	2,577,765.20	2,577,765.20
4. 31 December 2023	18,180,000.00	16,142,376.78	34,322,376.78
<b>II. Accumulated amortization</b>			
1. 1 January 2023	8,108,558.76	2,175,280.13	10,283,838.89
2. Additions	575,724.24	902,074.19	1,477,798.43
(1) Provision	575,724.24	844,623.46	1,420,347.70
(2) Transfer from fixed assets	-	57,450.73	57,450.73
3. Reductions	-	473,252.87	473,252.87
(1) Transfer to fixed assets	-	473,252.87	473,252.87
4. 31 December 2023	8,684,283.00	2,604,101.45	11,288,384.45
<b>III. Carrying amount</b>			
1. 31 December 2023	9,495,717.00	13,538,275.33	23,033,992.33
2. 1 January 2023	10,071,441.24	15,997,380.71	26,068,821.95

Note: The investment property represents the parking space beneath Jiangsu Building where the headquarters of the Company locates, which is entrusted to the property company for renting to relevant car owners.

\* The Group's investment properties are all located in the mainland of China and held in the form of leases.

(2) As at 31 December 2023, the investment properties without certificates of ownership are listed as follows

			RMB
Item	Carrying amount	Reason for not yet obtaining the certificate of ownership	
Buildings of Qiantai Company	13,538,275.33	In process	
The parking space beneath Jiangsu Building	9,495,717.00	No certificate of ownership will be issued for parking space in Shenzhen	
<b>Total</b>	<b>23,033,992.33</b>		

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

16. Fixed assets

(1) Details of fixed assets

RMB

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
<b>I. Cost</b>						
1. 1 January 2023	2,901,314,692.23	1,646,032,767.54	47,781,727.36	132,764,938.34	4,515,775,902.26	9,243,670,027.73
2. Additions	383,134,871.67	28,062,055.26	12,026,177.43	11,844,055.81	177,994,091.91	613,061,252.08
(1) Purchase	299,033,719.85	15,772,836.42	12,026,177.43	11,603,540.85	16,559,413.28	354,995,687.83
(2) Transfer from construction in progress	7,513,463.19	12,289,218.84	-	240,514.96	29,576,943.72	49,620,140.71
(3) Addition due to business combinations	74,009,923.43	-	-	-	131,857,734.91	205,867,658.34
(4) Transfer from investment properties	2,577,765.20	-	-	-	-	2,577,765.20
3. Reductions	2,432,574.14	10,240,325.46	7,573,607.02	7,703,144.13	1,234,163.96	29,183,814.71
(1) Disposals or retirement	1,885,093.00	10,240,325.46	7,573,607.02	7,703,144.13	1,234,163.96	28,636,333.57
(2) Transfer to investment properties	547,481.14	-	-	-	-	547,481.14
4. 31 December 2023	3,282,016,989.76	1,663,854,497.34	52,234,297.77	136,905,850.02	4,692,535,830.21	9,827,547,465.10
<b>II. Accumulated depreciation</b>						
1. 1 January 2023	415,140,532.15	957,790,357.65	25,520,597.09	73,613,320.50	561,448,766.13	2,033,513,573.52
2. Additions	112,623,745.88	87,691,254.87	6,155,197.64	27,988,408.12	253,047,223.91	487,505,830.42
(1) Provision	112,150,493.01	87,691,254.87	6,155,197.64	27,988,408.12	253,047,223.91	487,032,577.55
(2) Transfer from investment properties	473,252.87	-	-	-	-	473,252.87
3. Reductions	57,450.73	9,523,098.52	7,031,589.02	6,351,848.01	22,139.41	22,986,125.69
(1) Disposals or retirement	-	9,523,098.52	7,031,589.02	6,351,848.01	22,139.41	22,928,674.96
(2) Transfer to investment properties	57,450.73	-	-	-	-	57,450.73
4. 31 December 2023	527,706,827.30	1,035,958,514.00	24,644,205.71	95,249,880.61	814,473,850.63	2,498,033,278.25
<b>III. Provision for impairment</b>						
1. 1 January 2023	-	-	-	-	655,667.88	655,667.88
2. Additions	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-
3. 31 December 2023	-	-	-	-	655,667.88	655,667.88
<b>IV. Carrying amount</b>						
1. 31 December 2023	2,754,310,162.46	627,895,983.34	27,590,092.06	41,655,969.41	3,877,406,311.70	7,328,858,518.97
2. 1 January 2023	2,486,174,160.08	688,242,409.89	22,261,130.27	59,151,617.84	3,953,671,468.25	7,209,500,786.33

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

16. Fixed assets - continued

(2) Fixed assets without certificates of ownership

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Buildings	954,261,653.79	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates except that the handling procedures for certificates of buildings of Qiantai Company and Mulei Project as well as Hesongxuan apartments purchased by the Company are in process.

17. Construction in progress

(1) Details of construction in progress

RMB

Item	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Langfang factory project	101,040,359.73	-	101,040,359.73	80,902,114.07	-	80,902,114.07
Special electromechanical project	33,571,207.10	-	33,571,207.10	34,849,740.12	-	34,849,740.12
Office building rectification civil engineering	19,655,958.92	-	19,655,958.92	29,184,866.66	-	29,184,866.66
Xuanwei project	25,167,669.00	-	25,167,669.00	25,167,669.00	-	25,167,669.00
Technical transformation for production line of Qiantai Company	-	-	-	17,972,695.94	-	17,972,695.94
Congestion control project for key toll stations in directly-managed sections	9,829,025.97	-	9,829,025.97	9,829,025.97	-	9,829,025.97
Construction project for "provincial station" direct transmission system	1,538,013.02	-	1,538,013.02	1,657,105.52	-	1,657,105.52
R&D project on BIM modeling and digital management regarding existing highways	30,819,627.11	-	30,819,627.11	-	-	-
Others	70,264,343.39	2,195,969.80	68,068,373.59	30,340,389.78	4,199,980.14	26,140,409.64
<b>Total</b>	<b>291,886,204.24</b>	<b>2,195,969.80</b>	<b>289,690,234.44</b>	<b>229,903,607.06</b>	<b>4,199,980.14</b>	<b>225,703,626.92</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Construction in progress - continued

(2) Changes in significant construction in progress during the year

RMB

Item	Budget amount	1 January 2023	Additions in the current year	Transfer to fixed assets	Transfer to intangible assets	Other reductions in the current year	31 December 2023	Proportion of the accumulated project investment to total budget (%)	Project progress (%)	Cumulative amount of interest capitalized	Including: Interest capitalized for the current year	Interest capitalization rate for the current year (%)	Source of funds
Langfang factory project	116,880,000.00	80,902,114.07	20,138,245.66	-	-	-	101,040,359.73	86.45	86.45	-	-	-	Self-owned funds
Special electromechanical project	60,000,000.00	34,849,740.12	9,413,071.21	10,643,610.63	-	47,993.60	33,571,207.10	73.77	73.77	-	-	-	Self-owned funds
R&D project on BIM modeling and digital management regarding existing highways	42,034,905.66	-	30,819,627.11	-	-	-	30,819,627.11	73.32	73.32	-	-	-	Self-owned funds
<b>Total</b>		<b>115,751,854.19</b>	<b>60,370,943.98</b>	<b>10,643,610.63</b>	-	<b>47,993.60</b>	<b>165,431,193.94</b>			--	--	--	

(3) Provision for impairment of construction in progress for the year

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023	Reason for change
Luotian Station U-turn lane reconstruction project	2,004,010.34	-	2,004,010.34	-	The project is terminated, and the impairment provision is written off accordingly
Kunshan environmental protection engineering construction project	2,195,969.80	-	-	2,195,969.80	
<b>Total</b>	<b>4,199,980.14</b>	-	<b>2,004,010.34</b>	<b>2,195,969.80</b>	

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**18. Right-of-use assets**

RMB

Item	Buildings	Billboards	Total
<b>I. Cost</b>			
1. 1 January 2023	217,356,007.39	17,352,841.69	234,708,849.08
2. Additions	36,142,650.94	-	36,142,650.94
(1) Acquisitions	36,142,650.94	-	36,142,650.94
3. Reductions	29,336,368.89	17,352,841.69	46,689,210.58
(1) Disposals	29,336,368.89	17,352,841.69	46,689,210.58
4. 31 December 2023	224,162,289.44	-	224,162,289.44
<b>II. Accumulated depreciation</b>			
1. 1 January 2023	127,189,889.52	17,352,841.69	144,542,731.21
2. Additions	42,612,865.76	-	42,612,865.76
(1) Provision	42,612,865.76	-	42,612,865.76
3. Reductions	26,595,692.53	17,352,841.69	43,948,534.22
(1) Disposals	26,595,692.53	17,352,841.69	43,948,534.22
4. 31 December 2023	143,207,062.75	-	143,207,062.75
<b>III. Provision for impairment</b>			
1. 1 January 2023	14,754,044.72	-	14,754,044.72
2. 31 December 2023	14,754,044.72	-	14,754,044.72
<b>IV. Carrying amount</b>			
1. 31 December 2023	66,201,181.97	-	66,201,181.97
2. 1 January 2023	75,412,073.15	-	75,412,073.15

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Intangible assets

(1) Details of intangible assets

							RMB
Item	Franchise rights	Office software and others	Billboard land use rights	Land use right	Contract rights	Patent use right	Total
I. Cost							
1. 1 January 2023	44,321,153,254.69	50,318,710.99	59,953,840.88	208,149,290.30	71,938,085.78	196,245,320.61	44,907,758,503.25
2. Additions	1,784,397,641.66	9,118,911.49	-	1,463,376.65	-	-	1,794,979,929.80
(1) Purchases	317,840,966.05	9,118,911.49	-	-	-	-	326,959,877.54
(2) Constructions	1,466,556,675.61	-	-	-	-	-	1,466,556,675.61
(3) Business combinations not involving entities under common control	-	-	-	1,463,376.65	-	-	1,463,376.65
3. Reductions	1,526,479,609.32	676,399.02	-	-	-	30,551,917.44	1,557,707,925.78
(1) Disposals (Note)	1,526,479,609.32	676,399.02	-	-	-	30,551,917.44	1,557,707,925.78
4. 31 December 2023	44,579,071,287.03	58,761,223.46	59,953,840.88	209,612,666.95	71,938,085.78	165,693,403.17	45,145,030,507.27
II. Accumulated amortization							
1. 1 January 2023	14,061,437,868.25	28,347,767.54	59,669,978.25	10,699,199.43	20,728,965.61	49,984,932.00	14,230,868,711.08
2. Additions	1,763,872,979.48	8,470,563.55	166,844.22	4,002,628.99	8,813,934.03	27,765,597.25	1,813,092,547.52
(1) Provision	1,763,872,979.48	8,470,563.55	166,844.22	4,002,628.99	8,813,934.03	27,765,597.25	1,813,092,547.52
3. Reductions	1,524,815,984.91	273,600.00	-	-	-	12,220,765.92	1,537,310,350.83
(1) Disposals	1,524,815,984.91	273,600.00	-	-	-	12,220,765.92	1,537,310,350.83
4. 31 December 2023	14,300,494,862.82	36,544,731.09	59,836,822.47	14,701,828.42	29,542,899.64	65,529,763.33	14,506,650,907.77
III. Provision for impairment							
1. 1 January 2023	3,811,235,491.81	-	-	-	-	18,050,000.00	3,829,285,491.81
2. 31 December 2023	3,811,235,491.81	-	-	-	-	18,050,000.00	3,829,285,491.81
IV. Carrying amount							
1. 31 December 2023	26,467,340,932.40	22,216,492.37	117,018.41	194,910,838.53	42,395,186.14	82,113,639.84	26,809,094,107.69
2. 1 January 2023	26,448,479,894.63	21,970,943.45	283,862.63	197,450,090.87	51,209,120.17	128,210,388.61	26,847,604,300.36

Note: The disposals are mainly due to the expiry of the operating period of relevant expressways, which are handed over by the Group in accordance with the regulations and requirements of the traffic management department.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Intangible assets - continued

(2) Land use right without the certificate of ownership is listed as follows:

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Land use right of Damaoqi wind power project	11,888,920.44	In progress

RMB

(3) Information of franchise rights

Item	Cost	1 January 2023	Additions in the current year	Reductions in the current year	Amortization in the current year	Impairment in the current year	31 December 2023	Accumulated amortization	Provision for impairment
I. Franchise rights associated with toll roads									
Qinglian Expressway (Note 1)	9,286,165,486.15	5,549,959,178.08	-	-	340,400,958.76	-	5,209,558,219.32	3,456,607,266.83	620,000,000.00
Airport-Heao Expressway	5,359,348,452.50	1,756,586,011.93	432,339,105.12	1,452.27	190,998,949.21	-	1,997,924,715.57	3,361,423,736.93	-
Meiguan Expressway	604,588,701.64	137,006,074.94	-	-	28,933,381.35	-	108,072,693.59	496,516,008.05	-
Outer Ring Expressway (Note 1)	5,951,353,056.20	5,260,258,467.14	209,454,442.08	-	175,322,065.36	-	5,294,390,843.86	656,962,212.34	-
Shuiguan Expressway (Note 1)	4,448,811,774.58	1,337,172,203.81	-	-	415,469,385.61	-	921,702,818.20	2,975,108,956.38	552,000,000.00
Yichang Expressway	3,159,812,106.52	2,302,710,795.04	-	226,457.72	174,198,215.23	-	2,128,286,122.09	1,031,525,984.43	-
Changsha Ring Road	614,374,358.81	410,197,067.38	-	-	43,830,293.08	-	366,366,774.30	248,007,584.51	-
Coastal Expressway Shenzhen Section (Note 1)	9,948,745,601.09	5,685,204,792.49	321,137,156.73	-	205,524,890.43	-	5,800,817,058.79	1,509,693,247.69	2,638,235,294.61
Longda Expressway	251,559,214.13	68,123,562.42	-	-	16,155,265.63	-	51,968,296.79	199,590,917.34	-
<b>Sub-total</b>	<b>39,624,758,751.62</b>	<b>22,507,218,153.23</b>	<b>962,930,703.93</b>	<b>227,909.99</b>	<b>1,590,833,404.66</b>	<b>-</b>	<b>21,879,087,542.51</b>	<b>13,935,435,914.50</b>	<b>3,810,235,294.61</b>
II. Franchise rights associated with kitchen waste disposal									
Kitchen waste disposal of Bioland Company (Note 1)	3,588,159,430.96	3,263,286,301.58	141,664,392.65	1,278,532.95	136,082,914.58	-	3,267,589,246.70	319,569,987.06	1,000,197.20
Kitchen waste disposal of Guangming	736,764,559.13	384,317,693.87	352,446,865.26	-	-	-	736,764,559.13	-	-
Kitchen waste disposal of Shaoyang	310,000,000.00	-	310,000,000.00	-	-	-	310,000,000.00	-	-
Kitchen waste disposal of Lisai Environmental Protection	272,999,169.09	258,214,805.62	6,409,243.92	157,181.47	34,893,070.94	-	229,573,797.13	43,425,371.96	-
<b>Sub-total</b>	<b>4,907,923,159.18</b>	<b>3,905,818,801.07</b>	<b>810,520,501.83</b>	<b>1,435,714.42</b>	<b>170,975,985.52</b>	<b>-</b>	<b>4,543,927,602.96</b>	<b>362,995,359.02</b>	<b>1,000,197.20</b>
III. Other franchise rights									
Shenzhen Guangming welfare institute project	46,389,376.23	35,442,940.33	10,946,435.90	-	2,063,589.30	-	44,325,786.93	2,063,589.30	-
<b>Sub-total</b>	<b>46,389,376.23</b>	<b>35,442,940.33</b>	<b>10,946,435.90</b>	<b>-</b>	<b>2,063,589.30</b>	<b>-</b>	<b>44,325,786.93</b>	<b>2,063,589.30</b>	<b>-</b>
<b>Total</b>	<b>44,579,071,287.03</b>	<b>26,448,479,894.63</b>	<b>1,784,397,641.66</b>	<b>1,663,624.41</b>	<b>1,763,872,979.48</b>	<b>-</b>	<b>26,467,340,932.40</b>	<b>14,300,494,862.82</b>	<b>3,811,235,491.81</b>

RMB

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Intangible assets - continued

(3) Information of franchise rights: - continued

Note 1: For the pledge of charging rights / equity / rights of management related to Qinglian Expressway, Outer Ring Expressway, Coastal Expressway Shenzhen Section, Shuiguan Expressway, and the kitchen waste disposal projects of Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Company"), please refer to Notes V, 23.

Note 2: In 2023, both the amount of intangible assets amortized and the amount included in profit or loss was RMB 1,813,092,547.52 (2022: RMB 1,724,091,107.82).

Note 3: In 2023, the Group capitalized borrowing costs on intangible assets amounting to RMB 12,659,236.04 (2022: RMB 27,285,174.75).

(4) Impairment testing of intangible assets

The recoverable amount is determined at the present value of the expected future cash flows

RMB

Item	Carrying amount of the asset group (Note 1)	Recoverable amount	Amount of impairment	Projection period (Note 2)	Key parameters for projection period	Key parameters for steady period	Basis to determine the key parameters for steady period
<i>Qinglian Expressway</i>	5,401,282,890.64	5,416,156,606.60	-	2024 - 2034	Revenue growth rate, 4-6%; pre-tax discount rate, 8.10%	N/A	N/A

Note 1: It represents the carrying amount of the asset group including intangible assets.

Note 2: As at 31 December 2023, the management of the Group projected the future cash flows based on a detailed projection period starting from 2024 to the end of the concession period of Qinglian Expressway.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**20. Goodwill**

(1) Cost of goodwill

RMB

Investee	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
Shenzhen Investment Holdings International Capital Holding Infrastructure Company Limited ("SIHICH")	202,893,131.20	-	-	202,893,131.20
Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power")	156,039,775.24	-	-	156,039,775.24
<b>Total</b>	<b>358,932,906.44</b>	<b>-</b>	<b>-</b>	<b>358,932,906.44</b>

(2) Provision for impairment of goodwill

RMB

Investee	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
Nanjing Wind Power	156,039,775.24	-	-	156,039,775.24

(3) Information about the asset group or a set of asset groups to which the goodwill is allocated

Name	Composition of the asset group or a set of asset groups to which it is allocated and its basis	Operating segment to which it is allocated and its basis	Is it consistent with that of the prior year?
SIHICH	Bay Area Development asset group / Generated from acquisition of the asset group	Toll road	Yes
Nanjing Wind Power	Wind turbines manufacturing asset group / Generated from acquisition of the asset group	Environmental protection	Yes

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**20. Goodwill - continued**

(4) Specific method for determination of recoverable amount

The recoverable amount is determined at the present value of the expected future cash flows

RMB

Item	Carrying amount (Note 1)	Recoverable amount	Amount of impairment	Projection period (Note 2)	Key parameters for projection period (growth rate, profit margins, etc.)	Basis to determine parameters for projection period	Key parameters for steady period (growth rate, profit margins, discount rate, etc.)	Basis to determine the key parameters for steady period
Bay Area Development asset group	6,569,532,321.81	6,693,230,561.61	-	Guangzhou- Shenzhen Section of Beijing- Hongkong & Macao Expressway: 2024 - 2052 West Line Expressway: 2024 - 2038	Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway: revenue growth rate, (3%)-14%; pre-tax discount rate, 6.70% West Line Expressway: revenue growth rate, (42%)-6%; pre-tax discount rate, 8.10%	Revenue growth rate is determined based on the regional economic development, road network planning, accessibility and inflation rates, etc. Discount rate is the pre-tax interest rate that reflects the current market time value of money and the risks specific to the underlying asset group.	N/A	N/A

Note 1: It represents the carrying amount of the asset group including goodwill.

Note 2: As at 31 December 2023, the management of the Group projected the future cash flows based on a detailed projection period starting from 2024 to the end of the concession period of Guangzhou-Shenzhen Section of Beijing-Hongkong & Macao Expressway and West Line Expressway.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

21. Deferred tax assets / deferred tax liabilities

(1) Deferred tax assets before offsetting

RMB

Item	31 December 2023		31 December 2022 (Restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment and amortization of franchise rights of Coastal Expressway	373,750,686.76	93,437,671.69	534,253,939.52	133,563,484.88
Deductible losses	294,222,156.72	73,555,539.18	468,176,313.96	117,044,078.49
Compensation for operating expenses of newly-built toll stations on Nanguang Expressway, Yanba Expressway and Yanpai Expressway ("Three Expressways") (Note 1)	178,104,931.35	44,526,232.84	211,704,931.35	52,926,232.84
Compensation for operating expenses of newly-built toll station on Longda Expressway (Note 1)	119,248,638.49	29,812,159.59	145,915,980.26	36,478,995.03
Adjustments to fair values of net assets of merged enterprises such as Shenchang Expressway Co., Ltd in Changsha, Hunan ("Shenchang Company"), etc.	111,904,206.11	27,976,051.53	125,703,204.15	31,425,801.04
Payroll accrued but not paid	121,079,026.88	30,269,756.72	121,376,279.72	30,344,069.93
Amortization of other franchise rights	60,062,682.48	15,015,670.62	109,105,359.84	27,276,339.96
Bad debt provision	87,560,678.69	17,980,972.08	119,329,993.58	23,979,619.99
Property compensation of Meiguan Company (Note 2)	43,557,234.64	10,889,308.66	71,579,153.96	17,894,788.49
Provisions (Note 3)	79,299,874.80	16,869,886.55	67,820,501.40	14,000,043.20
Compensation for operating expenses of newly-built road ramp on Meiguan Expressway (Note 4)	42,511,276.60	10,627,819.15	55,591,669.24	13,897,917.31
Expenses accrued but not paid	66,810,750.80	16,702,687.70	40,905,731.12	10,226,432.78
Provision for impairment loss of assets	70,814,838.07	15,278,390.55	44,065,644.63	8,661,302.41
Interest receivable due to capital reduction of United Land Company (Note 5)	8,832,704.08	2,208,176.02	14,515,097.04	3,628,774.26
Compensation for demolition costs of old toll stations on Three Expressways and Longda Expressway	7,176,461.64	1,794,115.41	7,176,461.64	1,794,115.41
Lease liabilities	79,847,804.74	19,862,036.21	101,256,379.57	19,820,407.83
Others	70,745,195.21	12,842,994.61	76,478,162.36	18,678,348.71
<b>Total</b>	<b>1,815,529,148.06</b>	<b>439,649,469.11</b>	<b>2,314,954,803.34</b>	<b>561,640,752.56</b>

Note 1: The Company received a compensation for operating expenses of newly-built toll stations and a compensation for toll adjustment regarding Three Expressways and Longda Expressway, and recognized the corresponding deferred tax assets for the temporary difference between the tax base and carrying amount.

Note 2: Meiguan Company, the Company's subsidiary, recognized the compensation for future relocated property granted by United Land Company, an associate of the Group, as other non-current assets. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding deferred tax asset for the temporary difference arising from the difference between the tax base and carrying amount of other non-current assets recognized.

Note 3: It represents the deferred tax assets accrued by Bioland Company for provisions recognized for pending litigation or arbitration and subsequent expenditures of BOT project.

Note 4: In 2015, the Group received a compensation for operating expenses of newly-built toll station on Meiguan Expressway, and recognized the corresponding deferred tax assets for the temporary difference between the tax base and carrying amount.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

21. Deferred tax assets / deferred tax liabilities - continued

(1) Deferred tax assets before offsetting - continued

Note 5: United Land Company capitalized the interest on capital reduction payable to the Company. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding deferred tax assets for the temporary difference arising from the difference between the tax base and carrying amount based on its shareholding ratio of 34.30%.

(2) Deferred tax liabilities before offsetting

RMB

Item	31 December 2023		31 December 2022 (Restated)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not involving entities under common control				
- Shenzhen Qinglong Expressway Co., Ltd. ("Qinglong Company")	566,007,301.73	141,501,825.44	820,785,424.29	205,196,356.08
- Hunan Yichang Expressway Development Co., Ltd. ("Yichang Company")	763,325,569.58	190,831,392.40	826,861,648.98	206,715,412.25
- Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Company")	483,888,689.04	117,667,365.35	515,506,734.24	125,571,876.65
- Airport-Heao Eastern Company	332,874,013.36	83,218,505.33	446,355,587.56	111,588,898.88
- Bioland Company	458,710,721.31	112,856,429.96	479,521,980.67	118,059,244.80
- Lisai Environmental Protection	147,309,697.07	22,096,454.56	162,961,175.20	24,444,176.28
- Qiantai Company	122,116,558.20	18,317,483.73	142,595,090.85	19,792,846.79
- Nanjing Wind Power	12,097,673.20	1,814,650.98	19,798,354.13	2,969,753.12
- Baotou Nanfeng	28,801,244.80	7,200,311.20	30,556,500.16	7,639,125.04
- Meiguan Company	215,034.44	53,758.61	2,434,313.32	608,578.33
- Shenzhen Expressway New Energy Holding Co., LTD. ("New Energy Company")	13,450,767.32	3,362,691.83	14,410,510.52	3,602,627.63
Amortization of franchise rights (Note)	436,336,407.00	109,084,101.75	451,299,237.80	112,824,809.45
Compensation for valuation adjustment mechanism	148,419,868.53	32,824,283.13	210,804,141.40	52,701,035.35
Right-of-use assets	66,201,181.97	13,693,864.03	75,412,073.15	16,590,656.09
Others	2,118,103,775.04	462,172,026.39	1,903,510,833.44	407,732,124.55
<b>Total</b>	<b>5,697,858,502.59</b>	<b>1,316,695,144.69</b>	<b>6,102,813,605.71</b>	<b>1,416,037,521.29</b>

Note: The methods for amortization of franchise rights associated with toll roads are inconsistent in accounting (traffic volume method) and taxation (straight-line method), resulting in temporary differences with deferred tax liability recognized.

(3) Deferred tax assets or liabilities presented on net basis

RMB

Item	Offset amount of deferred tax assets and liabilities as at 31 December 2023	Deferred tax assets or liabilities after offset as at 31 December 2023	Offset amount of deferred tax assets and liabilities as at 31 December 2022	Deferred tax assets or liabilities after offset as at 31 December 2022 (Restated)
Deferred tax assets	(168,204,359.74)	271,445,109.37	(135,003,349.82)	426,637,402.74
Deferred tax liabilities	(168,204,359.74)	1,148,490,784.95	(135,003,349.82)	1,281,034,171.47

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

21. Deferred tax assets / deferred tax liabilities - continued

(4) Details of unrecognized deferred tax assets

Item	RMB	
	31 December 2023	31 December 2022
Deductible losses	1,326,713,339.21	903,520,726.46
Deductible temporary differences	365,258,835.46	163,279,006.09
<b>Total</b>	<b>1,691,972,174.67</b>	<b>1,066,799,732.55</b>

(5) Deductible losses for which deferred tax assets are not recognized will expire in the following years:

Year	RMB	
	31 December 2023	31 December 2022
2023	-	25,062,641.28
2024	46,885,054.42	46,885,146.80
2025	59,229,762.99	62,050,134.87
2026	186,818,451.79	222,885,336.20
2027	527,306,480.37	546,637,467.31
2028	506,473,589.64	-
<b>Total</b>	<b>1,326,713,339.21</b>	<b>903,520,726.46</b>

22. Other non-current assets

Item	31 December 2023			31 December 2022		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Contract assets over one year (Note 1)	2,661,993,597.28	-	2,661,993,597.28	2,640,721,802.69	-	2,640,721,802.69
Meiguan Company - property relocation compensation (Note 2)	342,599,500.00	-	342,599,500.00	342,599,500.00	-	342,599,500.00
Pending deduction of input tax over one year	210,869,870.90	-	210,869,870.90	189,928,839.31	-	189,928,839.31
Others	1,149,104.11	-	1,149,104.11	-	-	-
<b>Total</b>	<b>3,216,612,072.29</b>	<b>-</b>	<b>3,216,612,072.29</b>	<b>3,173,250,142.00</b>	<b>-</b>	<b>3,173,250,142.00</b>

Note 1: It mainly includes the contract assets corresponding to the toll fee revenue recognized by the Group based on relevant documents issued by Guangdong Provincial Transportation Management Department, as well as the contract assets corresponding to the revenue that are recognized for Duohua Construction Project and Bimeng Construction Project.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

- continued

**22. Other non-current assets - continued**

Note 2: According to the *Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua District Minzhi Office*, United Land Company paid the compensation for demolition of RMB 28,328,230.00 to Meiguan Company, a subsidiary of the Company, in July 2016. On 27 April 2018, the two parties entered into the *Supplementary Agreement to the Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua District Minzhi Office*, which agrees that United Land Company will pay property relocation compensation on the basis of the above monetary compensation, the compensated relocated property is the office building to be constructed by United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be completed in 2024. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Peng Xin Zi Gu Bao Zi [2018] No. 062), the fair value of the relocated property was RMB 342,599,500.00, which kept unchanged during the year.

**23. Assets with ownership or use right restricted**

RMB

Item	31 December 2023				31 December 2022			
	Gross carrying amount	Carrying amount	Type of restriction	Status of restriction	Gross carrying amount	Carrying amount	Type of restriction	Status of restriction
Cash at banks and on hand	197,147,405.73	197,147,405.73	Note 1	Note 1	438,629,991.31	438,629,991.31	Note 1	Note 1
Accounts receivable	-	-			80,608,528.29	80,608,528.29	Pledge	Pledge for borrowings
Long-term receivables	842,781,250.01	827,438,727.29	Pledge	Pledge for borrowings	638,156,976.58	623,394,734.34	Pledge	Pledge for borrowings
Intangible assets	26,696,110,631.65	14,695,939,786.11	Pledge	Pledge for borrowings and finance leases	30,829,664,941.02	19,454,935,640.79	Pledge	Pledge for borrowings and finance leases
Intangible assets	90,228,000.00	88,096,114.82	Mortgage	Mortgage for borrowings	191,667,576.70	190,271,074.68	Mortgage	Mortgage for borrowings
<b>Total</b>	<b>27,826,267,287.39</b>	<b>15,808,622,033.95</b>			<b>32,178,728,013.90</b>	<b>20,787,839,969.41</b>		

Note 1: Refer to Note V, 1 for details.

Note 2: In addition to those mentioned above, the Group pledged with the 100% equity and charging rights to electric charge of Qianxin Company, 100% equity and charging rights to electric charge of Qianzhi Company, 100% equity and charging rights to electric charge of Qianhui Company, 98.393% equity of SIHICH, equity of kitchen waste disposal projects of certain subsidiaries of Bioland Company, and charging rights to electric charge of Yongcheng Zhuneng and wind power enterprises under Baotou Nanfeng.

Note 3: The principal of bank borrowings obtained by the Group through mortgages and pledges of the aforesaid assets and the balance arising from sale and leaseback transactions totaled RMB 15,136,813,427.44.

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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**24. Short-term borrowings**

(1) Categories of short-term borrowings

Item	31 December 2023	31 December 2022
Pledged borrowings	9,226,577,924.66	7,129,200,145.74
Guaranteed borrowings	1,471,934,733.60	1,112,327,599.94
Credit borrowings	368,993,001.88	1,104,701,529.64
Borrowings in the form of discounted notes	38,120,176.71	-
Mortgage borrowings	-	50,000,000.00
<b>Total</b>	<b>11,105,625,836.85</b>	<b>9,396,229,275.32</b>

RMB

(2) Details of pledged borrowings

Name of entity	31 December 2023	Pledged by
Bank of China Limited Macao Branch	2,689,782,012.34	28.68% equity of SIHICH
China Merchants Bank Co., Ltd. Hong Kong Branch	2,497,226,908.85	26.62% equity of SIHICH
China Merchants Bank Co., Ltd. Hong Kong Branch	2,134,827,765.00	22.783% equity of SIHICH
Ping An Bank Co., Ltd. Hong Kong Branch	1,904,741,238.47	20.31% equity of SIHICH
<b>Total</b>	<b>9,226,577,924.66</b>	

RMB

(3) Details of guaranteed borrowings

Name of entity	31 December 2023	Guaranteed by
Ping An Bank Co., Ltd. Hong Kong Branch	821,355,228.00	Bay Area Development
Bank of China (Hong Kong) Limited	428,929,952.40	Bay Area Development
Shanghai Pudong Development Bank Co., Ltd.	191,649,553.20	Bay Area Development
China Merchants Bank Co., Ltd. Nanning Branch	30,000,000.00	Bioland Company
<b>Total</b>	<b>1,471,934,733.60</b>	

RMB

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NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
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25. Transactional financial liabilities

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023	Reason and basis for designation
Obligation to pay the difference	133,009,243.01	15,108,066.13	-	148,117,309.14	N/A
<b>Total</b>	<b>133,009,243.01</b>	<b>15,108,066.13</b>	<b>-</b>	<b>148,117,309.14</b>	

Note: In January 2022, the Group acquired 100% equity interest in SIHICH held by Shenzhen Investment Holdings International and assumed the obligation to make up the difference for CMF Global Quantitative Multi-Asset Segregated Portfolio Company and CMF Global Quantitative Stable Segregated Portfolio (collectively, "CMF Global"). And, the Group renewed such obligation to 17 August 2028 or earlier maturity date as determined by the Company and either of Mei Wah Company and CMF Global in accordance with the written notice on Agreement for Make-Up of the Earnings during the Renewal Period or other covenants of the agreement. If CMF Global disposes of its 9.45% equity interest in Bay Area Development before 17 August 2028, the difference between the transfer price and the agreed investment cost of HKD 1,075,713,016.54 will be made up by the Group. Meanwhile, during the renewal period, the portion of the annual investment return obtained by CMF Global through Bay Area Development that does not reach the agreed level will be made up by the Group. As at 31 December 2023, the Group recognized the difference make-up obligation amounting to RMB 148,117,309.14 accordingly.

26. Bills payable

Presentation of bills payable

RMB

Item	31 December 2023	31 December 2022
Commercial acceptance bills	26,729,231.57	204,239,880.66
Bank acceptance bills	63,006,281.67	24,430,000.00
<b>Total</b>	<b>89,735,513.24</b>	<b>228,669,880.66</b>

As at 31 December 2023, the Group had no overdue bills payable.

27. Accounts payable

(1) Presentation of accounts payable:

RMB

Item	31 December 2023	31 December 2022
Payables for construction projects, quality deposits and security deposits	1,883,158,134.56	2,026,322,610.20
Payables for goods	563,431,778.05	577,333,357.41
Others	141,955,611.06	209,311,953.16
<b>Total</b>	<b>2,588,545,523.67</b>	<b>2,812,967,920.77</b>

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**NOTES TO FINANCIAL STATEMENTS  
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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**27. Accounts payable - continued**

(2) Significant accounts payable aged over 1 year:

RMB

Item	31 December 2023	Reason for failure in repayment or carry-forward
Total significant accounts payable	390,726,477.76	Unsettled project funds

**28. Advances from customers**

(1) Presentation of advances from customers

RMB

Item	31 December 2023	31 December 2022
Income from advertising billboard received in advance	623,460.97	794,329.08

**29. Contract liabilities**

(1) Details of contract liabilities

RMB

Item	31 December 2023	31 December 2022
Advances from sales of goods	45,554,145.00	6,538,109.91
Advances from sales of real estate	12,621,993.58	14,888,116.53
Advances from sales of wind turbine	5,993,361.00	5,993,361.00
Others	2,979,775.76	2,913,429.28
<b>Total</b>	<b>67,149,275.34</b>	<b>30,333,016.72</b>

(2) Amount and reason for significant change in carrying amount during the year

RMB

Item	Amount	Reason
Advances from sales of goods	39,016,035.09	Increase in receipts in advance from car-dismantling and battery operations

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**NOTES TO FINANCIAL STATEMENTS  
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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**30. Employee benefits payable**

(1) Presentation of employee benefits payable

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
I. Short-term wages	358,624,140.06	1,067,726,130.88	1,052,684,423.61	373,665,847.33
II. Post-employment benefits - defined contribution plans	5,169,884.48	100,961,363.38	101,105,694.36	5,025,553.50
<b>Total</b>	<b>363,794,024.54</b>	<b>1,168,687,494.26</b>	<b>1,153,790,117.97</b>	<b>378,691,400.83</b>

(2) Presentation of short-term benefits

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
I. Wages and salaries, bonuses, allowances and subsidies	335,279,341.28	833,105,176.72	822,105,264.68	346,279,253.32
II. Staff welfare	6,538,004.32	94,079,664.69	93,923,177.59	6,694,491.42
III. Social security contributions	1,243,206.34	37,343,629.61	37,323,245.54	1,263,590.41
Including: Medical insurance	1,114,960.61	31,585,504.57	31,631,711.52	1,068,753.66
Work injury insurance	47,412.06	3,210,182.77	3,148,972.39	108,622.44
Maternity insurance	80,833.67	2,547,942.27	2,542,561.63	86,214.31
IV. Housing funds	986,249.98	66,520,701.23	65,887,687.07	1,619,264.14
V. Labor union funds and employee education funds	11,358,681.09	18,450,983.17	17,966,987.55	11,842,676.71
VI. Others	3,218,657.05	18,225,975.46	15,478,061.18	5,966,571.33
<b>Total</b>	<b>358,624,140.06</b>	<b>1,067,726,130.88</b>	<b>1,052,684,423.61</b>	<b>373,665,847.33</b>

(3) Presentation of defined contribution plans

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
1. Basic pensions	2,517,113.94	71,331,159.02	71,434,651.98	2,413,620.98
2. Unemployment insurance	125,913.99	3,569,364.06	3,574,502.05	120,776.00
3. Enterprise annuities	2,526,856.55	26,060,840.30	26,096,540.33	2,491,156.52
<b>Total</b>	<b>5,169,884.48</b>	<b>100,961,363.38</b>	<b>101,105,694.36</b>	<b>5,025,553.50</b>

The Group participates, as required, in the pension insurance and unemployment plan established by government institutions. According to such plans, the Group contributes monthly to such plans based on the regulations of the government institutions. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

In 2023, the Group should contribute pension insurance and unemployment plans amounting to RMB 71,331,159.02 and RMB 3,569,364.06 (2022: RMB 77,131,805.00 and RMB 3,858,376.53). As at 31 December 2023, the Group has outstanding contributions to pension insurance and unemployment plans that are due as at the reporting period amounting to RMB 2,413,620.98 and RMB 120,776.00 (31 December 2022: RMB 2,517,113.94 and RMB 125,913.99), which have been fulfilled subsequent to the reporting date.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
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31. Taxes payable

RMB

Item	31 December 2023	31 December 2022
Enterprise income tax	238,064,126.25	185,518,901.36
VAT	155,442,202.53	247,354,932.23
Land appreciation tax	61,231,620.93	60,584,898.11
City maintenance and construction tax	2,785,914.16	3,151,434.56
Educational surcharge	2,134,895.26	2,498,955.30
Others	2,384,764.01	8,495,901.45
<b>Total</b>	<b>462,043,523.14</b>	<b>507,605,023.01</b>

32. Other payables

32.1 Presentation of other payables

RMB

Item	31 December 2023	31 December 2022
Dividends payable	5,622,222.18	59,026,395.77
Other payables	1,053,822,933.32	1,312,742,294.61
<b>Total</b>	<b>1,059,445,155.50</b>	<b>1,371,768,690.38</b>

32.2 Dividends payable

Presentation by category

RMB

Item	31 December 2023	31 December 2022
Perpetual bond dividends classified as equity instruments	5,622,222.18	5,877,411.77
Including: Perpetual bond dividends	5,622,222.18	5,877,411.77
Dividends payable - Original shareholder of Nanjing Wind Power	-	53,148,984.00
<b>Total</b>	<b>5,622,222.18</b>	<b>59,026,395.77</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

32. Other payables - continued

32.3 Other payables

(1) Presentation of other payables by nature

Item	31 December 2023	31 December 2022
Payables for tender and performance deposits and warranty	183,088,858.68	102,290,835.84
Project funds retained for construction management contracts	6,550,866.02	12,133,832.03
Payables related to maintenance for roads	125,346,026.75	110,036,442.82
Accrued project expenditure and special administrative expenses	109,851,547.96	148,883,809.47
Accounts payable to related parties (Note XI, 6(2))	112,962,577.30	61,845,716.90
Payables for mechanical and electrical costs	53,598,750.10	37,704,328.83
Payables for the cost of provincial toll station cancellation project	29,182,658.08	54,721,137.75
Receipts of liquidated damages for equity transfer of Guizhou Xinhe Lifu Real Estate Development Co., Ltd. ("Xinhe Lifu")	20,412,000.00	20,412,000.00
Payable for agent-construction fee of Coastal Expressway Phase II Project	19,378,599.38	19,378,599.38
Payables related to independent costs of construction projects	10,915,545.35	59,047,171.98
Payables for equity acquisition	6,910,811.23	216,521,233.40
Payable for demolition fee of old stations	6,486,749.57	6,282,201.82
Payables for country road construction fee and management service fee of Hunan Province	3,041,574.14	35,976,352.52
Subscription funds and down deposits received for real estate sales	2,653,070.10	5,178,582.00
Payables for the construction cost of the Shenzhen World Exhibition & Convention Center toll station	139,855,284.60	139,855,284.60
Others	223,588,014.06	282,474,765.27
<b>Total</b>	<b>1,053,822,933.32</b>	<b>1,312,742,294.61</b>

(2) Significant other payables aged over 1 year

As at 31 December 2023, the Group has no significant other payables aged over 1 year.

33. Non-current liabilities due within one year

Item	31 December 2023	31 December 2022
Long-term borrowings due within one year (Note V, 35)	997,739,421.30	988,980,478.83
Including: Pledged borrowings	139,786,703.19	141,809,949.98
Credit borrowings	626,403,768.06	630,267,129.79
Guaranteed borrowings	227,548,950.05	208,550,329.62
Mortgage borrowings	4,000,000.00	8,353,069.44
Bonds payable due within one year (Note V, 36)	1,335,987,865.40	3,157,388,893.09
Lease liabilities due within one year (Note V, 37)	34,233,673.74	53,517,680.22
Long-term payables due within one year (Note V, 38)	24,061,952.56	2,180,436,285.12
<b>Total</b>	<b>2,392,022,913.00</b>	<b>6,380,323,337.26</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

34. Other current liabilities

RMB

Item	31 December 2023	31 December 2022
Ultra-short term financing bonds (Note)	1,512,594,613.40	2,016,515,923.01
Output tax to be transferred	21,884,154.50	1,339,930.47
<b>Total</b>	<b>1,534,478,767.90</b>	<b>2,017,855,853.48</b>

Note: RMB 1.5 billion of ultra-short term financing bonds was issued by the Company on 8 August 2023 with an annual interest rate of 2.25% and a term of 270 days.

35. Long-term borrowings

Categories of long-term borrowings

RMB

Item	31 December 2023	31 December 2022	Range of interest rate
Pledged borrowings	5,114,340,659.80	6,651,244,937.96	2.90%-4.11%
Guaranteed borrowings	2,378,084,182.40	2,953,903,875.43	2.90%-6.88%
Credit borrowings	2,375,405,546.00	472,792,000.00	2.10%-3.40%
Guaranteed and pledged borrowings	538,551,740.00	297,301,070.00	3.25%-4.55%
Mortgage borrowings	96,000,000.00	100,000,000.00	3.30%
Guaranteed, mortgage and pledged borrowings	54,600,000.00	76,700,000.00	3.50%-3.80%
Accrued interest	8,465,102.89	10,286,704.73	
<b>Total</b>	<b>10,565,447,231.09</b>	<b>10,562,228,588.12</b>	
Less: Long-term borrowings due within one year (Note V, 33)	997,739,421.30	988,980,478.83	
<b>Long-term borrowings due after one year</b>	<b>9,567,707,809.79</b>	<b>9,573,248,109.29</b>	

36. Bonds payable

(1) Categories of bonds payable:

RMB

Item	31 December 2023	31 December 2022
Long-term corporate bonds	6,469,450,498.51	8,112,338,776.38
Medium-term notes	2,025,640,823.60	814,567,547.33
<b>Total</b>	<b>8,495,091,322.11</b>	<b>8,926,906,323.71</b>
Less: Bonds payable due within one year (Note V, 33)	1,335,987,865.40	3,157,388,893.09
<b>Bonds payable due after one year</b>	<b>7,159,103,456.71</b>	<b>5,769,517,430.62</b>

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

36. Bonds payable - continued

(2) Changes in bonds payable:

													RMB
Name of bonds	Par value	Coupon rate (%)	Date of issuance	Maturity	Issued amount	1 January 2023	Issue amount in the current year	Accrual of interest by par value	Discount and issue fee amortization	Effects of foreign currency translation	Payment amount in the current year	31 December 2023	Is it in breach of contract
Long-term corporate bonds (Note 1)	USD 300,000,000.00	1.75	8 July 2021	5 years	USD 300,000,000.00	2,094,738,029.92	-	38,031,467.57	3,643,993.63	35,430,000.00	37,710,721.94	2,134,132,769.18	No
Long-term corporate bonds (Note 1)	1,400,000,000.00	3.05	20 March 2020	5 years	1,400,000,000.00	1,431,897,625.32	-	9,297,580.52	1,504,794.16	-	1,442,700,000.00	-	No
Long-term corporate bonds (Note 1)	1,500,000,000.00	3.18	20 January 2022	7 years	1,500,000,000.00	1,541,637,067.89	-	47,702,250.00	598,184.18	-	47,702,250.00	1,542,235,252.07	No
Long-term corporate bonds (Note 1)	800,000,000.00	3.65	20 October 2020	5 years	800,000,000.00	804,371,921.13	-	23,522,222.31	1,305,856.56	-	829,200,000.00	-	No
Long-term corporate bonds (Note 1)	1,200,000,000.00	3.49	15 April 2021	5 years	1,200,000,000.00	1,227,288,378.16	-	41,898,867.96	699,937.47	-	41,880,000.00	1,228,007,183.59	No
Long-term corporate bonds (Note 1)	1,000,000,000.00	3.35	23 July 2021	5 years	1,000,000,000.00	1,012,405,753.96	-	33,500,000.04	541,836.30	-	33,500,000.00	1,012,947,590.30	No
Long-term corporate bonds (Note 1)	550,000,000.00	2.88	17 October 2023	3 years	550,000,000.00	-	550,000,000.00	3,212,151.50	(1,084,448.13)	-	-	552,127,703.37	No
Medium-term notes (Note 2)	800,000,000.00	4.49	13 August 2018	5 years	800,000,000.00	814,567,547.33	-	20,978,824.06	413,058.80	-	835,959,430.19	-	No
Medium-term notes (Note 2)	1,000,000,000.00	2.89	22 May 2023	3 years	1,000,000,000.00	-	1,000,000,000.00	17,500,844.45	(799,922.20)	-	-	1,016,700,922.25	No
Medium-term notes (Note 2)	1,000,000,000.00	3.05	4 September 2023	5 years	1,000,000,000.00	-	1,000,000,000.00	9,743,216.41	(803,315.06)	-	-	1,008,939,901.35	No
<b>Total</b>						<b>8,926,906,323.71</b>	<b>2,550,000,000.00</b>	<b>245,387,424.82</b>	<b>6,019,975.71</b>	<b>35,430,000.00</b>	<b>3,268,652,402.13</b>	<b>8,495,091,322.11</b>	

Note 1: Corporate bonds

The Company issued a long-term bond on 8 July 2021 with a principal value of USD 300,000,000.00 upon approval by the National Development & Reform Commission in the Document "Fa Gai Ban Wai Zi Bei [2021] No. 287". The bond issuance price was 99.13% of the principal value, bearing a term of 5 years and interest at a rate of 1.75% per annum. The interest bearing began on 8 July 2021 and is repaid semi-annually. On 8 July 2026, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the USD bonds due on 18 July 2021.

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

- continued

**36. Bonds payable - continued**

(2) Changes in bonds payable: - continued

Note 1: Corporate bonds - continued

The Company was permitted to publicly issue corporate bonds with a face value of not more than RMB 5 billion to qualified investors upon approval by the China Securities Regulatory Commission ("CHINA SECURITIES REGULATORY COMMISSION") in the Document "Zheng Jian Xu Ke [2019] No. 2262". On 18 March 2020, the Company completed the issuance of the first phase of 2020 corporate bonds, and the actual issuance scale was RMB 1,400,000,000.00. The bond was issued at the rate of 3.05%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 20 March 2020 to 19 March 2025. If the investor exercises the option to sell back, the interest-bearing period for the portion of the bond it sells back is from 20 March 2020 to 19 March 2023. As of 31 December 2023, all of the bonds have been sold back.

On 20 January 2022, the Company completed the issuance of 2022 corporate bonds (first phase), and the actual issuance scale was RMB 1,500,000,000.00. The bond was issued at the rate of 3.18%, and the term of the bond is 5+2 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The interest bearing began on 20 January 2022, and the interest payment date is 20 January of each year from 2023 to 2029. If the investor exercises the option to sell back, the interest payment date for the portion of the bond it sells back is 20 January of each year from 2023 to 2027.

The Company was permitted to publicly issue Green corporate bonds with a face value of not more than RMB 2 billion to professional investors upon approval of Shanghai Stock Exchange and registration by the CHINA SECURITIES REGULATORY COMMISSION (Document "Zheng Jian Xu Ke [2020] No. 1003"). On 20 October 2020, the Company completed the public issuance of the first phase of 2020 Green corporate bonds, and the actual issuance scale was RMB 800,000,000.00. The bond was issued at the rate of 3.65%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 22 October 2020 to 21 October 2025. If the investor exercises the option to sell back, the interest-bearing period for the portion of the bond it sells back is from 22 October 2020 to 21 October 2023. As of 31 December 2023, all of the bonds have been sold back.

On 15 April 2021, the Company completed the public issuance of the first phase of 2021 Green corporate bonds, and the actual issuance scale was RMB 1,200,000,000.00. The bond was issued at the rate of 3.49%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 19 April 2021 to 18 April 2026. If the investor exercises the option to sell back, the interest-bearing period for the portion of the bond it sells back is from 19 April 2021 to 18 April 2024.

## SHENZHEN EXPRESSWAY CORPORATION LIMITED

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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#### V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 36. Bonds payable - continued

##### (2) Changes in bonds payable: - continued

Note 1: Corporate bonds - continued

On 23 July 2021, the Company completed the public issuance of the first phase of 2021 corporate bonds, and the actual issuance scale was RMB 1,000,000,000.00. The bond was issued at the rate of 3.35%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, and the interest-bearing term is from 27 July 2021 to 26 July 2026.

The Company was permitted to publicly issue corporate bonds with a face value of not more than RMB 4.1 billion to professional investors upon approval of Shanghai Stock Exchange and registration by the CHINA SECURITIES REGULATORY COMMISSION (Document "Zheng Jian Xu Ke [2022] No. 559"). On 18 October 2023, the Company completed the issuance of the first phase of 2023 Green corporate bonds, and the actual issuance scale was RMB 550,000,000.00. The bond was issued at the rate of 2.88%. The term of the bond is 3 years, and the interest-bearing term is from 18 October 2023 to 18 October 2026. The bonds bear interest on a simple interest basis, and the interest is repaid annually, with a lump sum repayment of principal at maturity.

Note 2: Medium-term notes

On 13 August 2018, as approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB 800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum, with interest to be paid once a year and principal repaid in a lump sum at maturity on 15 August 2023.

On 22 May 2023, the Company issued the first phase of 2023 medium-term notes of RMB 1,000,000,000.00, which bear a term of 3 years and interest at a rate of 2.89%, with an inception date of interest on 24 May 2023 and a due date on 24 May 2026. The funds raised are intended to be used to repay interest-bearing debts of the Company and its subsidiaries.

On 4 September 2023, the Company issued the second phase of 2023 medium-term notes of RMB 1,000,000,000.00, which bear a term of 5 years and interest at a rate of 3.05%, with an inception date of interest on 6 September 2023 and a due date on 6 September 2028. The funds raised are intended to be used to repay interest-bearing debts of the Company and its subsidiaries.

#### 37. Lease liabilities

Item	RMB	
	31 December 2023	31 December 2022
Lease liabilities	79,847,804.74	101,256,379.57
Less: Lease liabilities included in non-current liabilities due within one year (Note V, 33)	34,233,673.74	53,517,680.22
<b>Net amount</b>	<b>45,614,131.00</b>	<b>47,738,699.35</b>

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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**37. Lease liabilities - continued**

The analysis of the Group's lease liabilities based on the maturity period of the undiscounted remaining contractual obligations is as follows:

	RMB				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
31 December 2023	35,091,767.30	23,098,237.92	39,419,890.62	3,836,515.45	101,446,411.29
31 December 2022	59,298,906.47	28,077,270.07	21,121,371.94	3,461,192.67	111,958,741.15

**38. Long-term payables**

(1) Presentation of long-term payables by nature:

	RMB	
Item	31 December 2023	31 December 2022
Borrowings from associates and joint ventures (Note XI, 5(4))	824,596,715.85	944,646,715.85
Financial liabilities arising from sale and leaseback transactions (Note 1)	106,743,102.98	279,029,169.22
Borrowings from Shenzhen Investment Holdings International Capital Holding Company Limited ("Shenzhen Investment Holdings International") (Note 2)	-	2,105,041,763.41
<b>Total</b>	<b>931,339,818.83</b>	<b>3,328,717,648.48</b>
Less: Long-term payables due within one year (Note V, 33)	24,061,952.56	2,180,436,285.12
<b>Long-term payables due after one year</b>	<b>907,277,866.27</b>	<b>1,148,281,363.36</b>

Note 1: As at 31 December 2023, the balance arising from sale and leaseback transactions represents the long-term payables arising from the sale and leaseback of the equipment of Guangxi Bioland, a subsidiary of Bioland Company, for which Bioland Company provided joint and several liability guarantee.

Note 2: It represents the borrowings borrowed by SIHICH, a subsidiary of the Company, from Shenzhen Investment Holdings International for a term from 27 September 2018 to 26 September 2023. As of 31 December 2023, the borrowings have been repaid.

**39. Long-term employee benefits payable**

	RMB	
Item	31 December 2023	31 December 2022
Other long-term employee benefits (Note)	115,649,911.45	115,716,411.45

Note: Other long-term employee benefits are the Group's long-term incentive bonuses, which are expected to be paid in subsequent years.

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**40. Provisions**

RMB

Item	31 December 2023	31 December 2022
Cost of services in the future (Note 1)	151,602,590.20	146,394,830.60
Subsequent expenditure for kitchen waste disposal project (Note 2)	47,505,506.46	39,071,788.53
Pending litigation or arbitration	3,805,664.91	-
Product warranty	207,378.06	1,864,193.03
<b>Total</b>	<b>203,121,139.63</b>	<b>187,330,812.16</b>

Note 1: The estimated cost of services of toll roads in the future accrued by the Group according to relevant government documents.

Note 2: It represents the expenditure expected to be incurred by the Group to maintain a certain service capacity of the kitchen waste disposal assets it holds or to maintain a certain state of use of these assets before they are handed over to the contract grantor.

**41. Deferred revenue**

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023	Reason
Compensation for future operating expenses of new stations on Nanguang Expressway and Yanpai Expressway	211,704,931.35	-	33,600,000.00	178,104,931.35	Compensation from Shenzhen government for future operating costs of new stations on Nanguang and Yanpai Expressway
Compensation for future operating expenses of new stations on the free section of Longda Expressway	145,915,980.26	-	26,667,341.77	119,248,638.49	Compensation from Shenzhen government for future operating expenses of new station due to toll adjustment of the Shenzhen section of Longda Expressway
Compensation for operating expenses regarding the new ramp on the free section of Meiguan Expressway	55,591,669.24	-	13,080,392.64	42,511,276.60	Compensation from Shenzhen government for future operating expenses of new ramp constructed due to toll adjustment of Meiguan Expressway
Central subsidy funds for cancellation of the provincial expressway toll station project	30,252,071.17	-	7,129,398.11	23,122,673.06	The Ministry of Transport's cash subsidies for cancellation of the provincial expressway toll station project regarding the toll roads of the Company
Government economic grants for Bioland Company	22,128,255.85	1,070,000.00	3,480,486.90	19,717,768.95	Government grants for equipment received by Bioland Company
Government compensation for demolition	8,240,966.70	-	2,746,988.88	5,493,977.82	Government compensation for demolition received by Qinglong Company
Government financial grants for Guizhou Land	508,847.48	-	32,486.18	476,361.30	Government financial grants received by Guizhou Land from Guizhou Longli County Government
<b>Total</b>	<b>474,342,722.05</b>	<b>1,070,000.00</b>	<b>86,737,094.48</b>	<b>388,675,627.57</b>	

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
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42. Equity

RMB

Item	1 January 2023	Movement					31 December 2023
		New shares issued	Bonus issue	Transfer from reserve	Others	Sub-total	
Equity	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

43. Other equity instruments

As at 31 December 2023, the specific situation of the Group's outstanding perpetual bonds is as follows:

RMB

Item	Issue date	Accounting classification	Interest rate	Amount	Expiry day or renewal situation	Transfer conditions	General information of transfer
Perpetual bonds	4 December 2020	Other equity instruments	4.6%	4,000,000,000.00	No fixed deadline	Nil	Nil

44. Capital reserve

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
Share premium	4,088,787,596.29	23,472,842.07	-	4,112,260,438.36
Including: Contributions from investors	1,444,510,961.24	-	-	1,444,510,961.24
Business combination involving entities under common control	2,759,887,122.51	-	-	2,759,887,122.51
Acquisition of minority interests in subsidiaries	(114,598,966.13)	23,472,842.07	-	-91,126,124.06
Capital injection in the investee	(1,011,521.33)	-	-	-1,011,521.33
Other capital reserve (Note 1)	301,811,539.31	-	24,733,215.74	277,078,323.57
<b>Total</b>	<b>4,390,599,135.60</b>	<b>23,472,842.07</b>	<b>24,733,215.74</b>	<b>4,389,338,761.93</b>

Note: The Group recognized a decrease in capital reserve of RMB 24,733,215.74 based on the change in capital reserve of joint ventures and associates held by it.

45. Other comprehensive income

RMB

Item	1 January 2023	Amount incurred in the current year					31 December 2023
		Pre-tax amount incurred during the year	Less: Amount included in other comprehensive income in the previous period and transferred to profit or loss in the current year	Less: Income tax expenses	Amount attributable to the Company, net of tax	Amount attributable to minority shareholders, net of tax	
I. Other comprehensive income that may not be reclassified to profit or loss	-	-	-	-	-	-	
Including: Changes from remeasurement of defined benefit plans	-	-	-	-	-	-	
II. Other comprehensive income that may be reclassified to profit or loss	(408,012,206.05)	(145,778,080.16)	-	-	(134,292,785.62)	(542,304,991.67)	
Including: Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	-	-	893,132,218.74	
- Other comprehensive income that will be reclassified to profit or loss under the equity method (Note V.13)	(46,118,896.94)	28,746,332.31	-	-	28,746,332.31	(17,372,564.63)	
- Translation differences of financial statements denominated in foreign currencies	(1,255,431,707.85)	(174,524,412.47)	-	-	(163,039,117.93)	(1,418,470,825.78)	
Others	406,180.00	-	-	-	-	406,180.00	
<b>Total other comprehensive income</b>	<b>(408,012,206.05)</b>	<b>(145,778,080.16)</b>	<b>-</b>	<b>-</b>	<b>(134,292,785.62)</b>	<b>(542,304,991.67)</b>	

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NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
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46. Surplus reserve

RMB

Item	1 January 2023	Additions in the current year	Reductions in the current year	31 December 2023
Statutory surplus reserve	2,650,260,329.93	114,539,572.89	-	2,764,799,902.82
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
<b>Total</b>	<b>3,103,651,659.99</b>	<b>114,539,572.89</b>	-	<b>3,218,191,232.88</b>

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the shareholders' meeting, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company has appropriated statutory surplus reserve of RMB 114,539,572.89 in 2023 (2022: RMB 172,052,187.30).

The amount of the Company's discretionary surplus reserve was proposed by the Board of Directors and has been approved by the Annual General Meeting. The discretionary surplus reserve can be used to make up for previous years' loss or increase capital upon approval. The Company has not appropriated any discretionary surplus reserve in the current year.

47. Undistributed profits

RMB

Item	2023	2022
Balance of undistributed profits at the end of the prior year before adjustment	8,079,278,802.54	8,540,070,494.76
Total opening balance of undistributed profits adjusted	2,179,848.75	(1,382,731,760.75)
Opening balance of undistributed profits after adjustment	8,081,458,651.29	7,157,338,734.01
Add: Net profit attributable to shareholders of the Company in the current year	2,327,197,196.81	2,016,496,533.08
Less: Appropriation for statutory surplus reserve	114,539,572.89	172,052,187.30
Ordinary share dividend payable (Note)	1,007,515,890.61	1,352,077,602.12
Dividends paid to other equity instruments	186,555,555.55	186,555,555.55
Effects of business combination involving entities under common control	-	(634,456,517.39)
Effects of acquisition of equity from minority shareholders	-	16,147,788.22
Others	(11,957,298.92)	-
<b>Closing balance of undistributed profits</b>	<b>9,112,002,127.97</b>	<b>8,081,458,651.29</b>

Note: According to the resolution of the annual shareholders' meeting on 16 May 2023, the Company distributed 2022 cash dividends to all shareholders at RMB 0.462 per share. Based on the 2,180,770,326 shares issued, a total of RMB 1,007,515,890.61 cash dividends were distributed, of which a cash dividend of RMB 662,170,890.61 was distributed for 1,433,270,326 A shares issued, and a cash dividend of HKD 390,338,542.43 (equivalent to RMB 345,345,000.00) was distributed for 747,500,000 H shares issued. As of 31 December 2023, the above dividends have been paid.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
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48. Operating income and cost of services

(1) Details of operating income and cost of services

RMB

Item	2023		2022	
	Income	Cost	Income	Cost
Main business - Toll road	5,374,901,239.20	2,666,988,877.55	4,978,341,345.68	2,800,083,416.38
Main business - Environmental protection	1,618,254,610.60	1,255,448,544.17	1,757,219,821.16	1,288,946,396.95
-- Sales of wind turbine equipment	530,973.45	13,728,614.50	116,313,086.15	107,845,843.75
-- Wind power	652,330,053.45	275,802,882.36	691,632,965.90	269,388,623.13
-- Construction of kitchen waste disposal projects	63,722,444.05	109,658,127.04	56,824,373.47	75,731,347.28
-- Operation of kitchen waste disposal projects	628,891,338.51	582,372,036.03	474,562,756.65	420,138,146.62
-- Sales of kitchen waste disposal equipment	23,070,239.09	17,411,459.14	22,968,999.31	37,897,089.30
-- Others	249,709,562.05	256,475,425.10	394,917,639.68	377,945,346.87
Other services	2,302,148,521.89	2,026,946,321.66	2,637,021,379.75	2,264,566,448.63
-- Entrusted construction and management services	509,115,518.71	373,945,931.01	887,795,704.26	690,320,224.59
-- Construction service under franchise arrangements	1,346,854,567.69	1,346,854,567.69	1,256,226,886.98	1,256,226,886.98
-- Financial leasing	95,301,665.90	39,937,811.54	94,278,147.14	35,408,623.71
-- Real estate development	89,710,321.17	63,826,446.06	164,812,097.30	119,695,332.54
-- Advertising	8,873,723.83	6,971,233.55	21,441,556.61	14,742,487.48
-- Others	252,292,724.59	195,410,331.81	212,466,987.46	148,172,893.33
<b>Total</b>	<b>9,295,304,371.69</b>	<b>5,949,383,743.38</b>	<b>9,372,582,546.59</b>	<b>6,353,596,261.96</b>

(2) Breakdown of operating income

2023

RMB

Reporting segment	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	4,676,202,486.34	375,356,821.95	397,648,570.14	95,301,665.90	1,275,630,578.62	257,089,626.19	7,077,229,749.14
Hunan Province	698,594,112.90	26,190,846.73	-	-	-	3,886,796.06	728,671,755.69
Guizhou Province	-	103,438,721.55	111,466,948.57	-	2,783,565.54	89,900,347.34	307,589,583.00
Hubei Province	104,639.96	13,222,267.20	-	-	-	-	13,326,907.16
Jiangsu Province	-	38,006,553.42	-	-	2,142,599.04	-	40,149,152.46
Inner Mongolia Autonomous Region	-	288,683,044.19	-	-	21,737,032.52	-	310,420,076.71
Guangxi Zhuang Autonomous Region	-	137,073,394.19	-	-	22,071,607.25	-	159,145,001.44
Shandong Province	-	53,338,354.46	-	-	-	-	53,338,354.46
Zhejiang Province	-	28,965,170.46	-	-	-	-	28,965,170.46
Sichuan Province	-	48,835,006.80	-	-	3,455,492.70	-	52,290,499.50
Jiangxi Province	-	68,765,128.98	-	-	9,760,938.30	-	78,526,067.28
Hebei Province	-	18,375,078.46	-	-	1,482,612.24	-	19,857,690.70
Xinjiang Uygur Autonomous Region	-	301,711,869.13	-	-	-	-	301,711,869.13
Henan Province	-	40,933,295.36	-	-	-	-	40,933,295.36
Ningxia Hui Autonomous Region	-	64,525,181.35	-	-	-	-	64,525,181.35
Anhui Province	-	10,833,876.37	-	-	7,790,141.48	-	18,624,017.85
<b>Total</b>	<b>5,374,901,239.20</b>	<b>1,618,254,610.60</b>	<b>509,115,518.71</b>	<b>95,301,665.90</b>	<b>1,346,854,567.69</b>	<b>350,876,769.59</b>	<b>9,295,304,371.69</b>
Main service categories	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Timing of revenue recognition							
Revenue recognized at a point in time	5,374,901,239.20	1,554,532,166.55	-	-	-	213,908,632.42	7,143,342,038.17
Revenue recognized over time	-	63,722,444.05	509,115,518.71	-	1,346,854,567.69	128,094,413.34	2,047,786,943.79
<b>Total</b>	<b>5,374,901,239.20</b>	<b>1,618,254,610.60</b>	<b>509,115,518.71</b>	<b>-</b>	<b>1,346,854,567.69</b>	<b>342,003,045.76</b>	<b>9,191,128,981.96</b>

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**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**48. Operating income and cost of services - continued**

(2) Breakdown of operating income - continued

2022

RMB

Reporting segment	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
<b>Main operating areas</b>							
Guangdong Province	3,991,705,713.53	483,552,370.78	409,774,284.57	94,278,147.14	1,062,239,762.45	216,460,511.91	6,258,010,790.38
Hunan Province	624,366,395.40	-	-	-	-	5,359,681.34	629,726,076.74
Guizhou Province	-	99,388,028.97	478,021,419.69	-	8,611,308.30	164,977,749.18	750,998,506.14
Hubei Province	362,269,236.75	17,647,938.92	-	-	-	-	379,917,175.67
Jiangsu Province	-	132,243,261.43	-	-	-	11,742,080.78	143,985,342.21
Inner Mongolia Autonomous Region	-	255,039,922.30	-	-	12,342,227.16	180,618.16	267,562,767.62
Guangxi Zhuang Autonomous Region	-	133,438,139.94	-	-	83,520,040.47	-	216,958,180.41
Shandong Province	-	58,988,554.90	-	-	-	-	58,988,554.90
Zhejiang Province	-	23,612,818.89	-	-	-	-	23,612,818.89
Sichuan Province	-	24,938,431.42	-	-	67,526,440.66	-	92,464,872.08
Jiangxi Province	-	65,599,986.85	-	-	-	-	65,599,986.85
Hebei Province	-	13,305,401.40	-	-	-	-	13,305,401.40
Xinjiang Uygur Autonomous Region	-	346,488,244.94	-	-	-	-	346,488,244.94
Henan Province	-	42,201,461.95	-	-	-	-	42,201,461.95
Ningxia Hui Autonomous Region	-	50,722,284.58	-	-	-	-	50,722,284.58
Anhui Province	-	10,052,973.89	-	-	21,987,107.94	-	32,040,081.83
<b>Total</b>	<b>4,978,341,345.68</b>	<b>1,757,219,821.16</b>	<b>887,795,704.26</b>	<b>94,278,147.14</b>	<b>1,256,226,886.98</b>	<b>398,720,641.37</b>	<b>9,372,582,546.59</b>
<b>Main service categories</b>							
Timing of revenue recognition	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Revenue recognized at a point in time	4,978,341,345.68	1,700,395,447.69	-	-	-	243,085,654.84	6,921,822,448.21
Revenue recognized over time	-	56,824,373.47	887,795,704.26	-	1,256,226,886.98	134,193,429.92	2,335,040,394.63
<b>Total</b>	<b>4,978,341,345.68</b>	<b>1,757,219,821.16</b>	<b>887,795,704.26</b>	<b>-</b>	<b>1,256,226,886.98</b>	<b>377,279,084.76</b>	<b>9,256,862,842.84</b>

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48. Operating income and cost of services - continued

(3) Breakdown of cost of services

2023

RMB

Reporting segment	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
<b>Main operating areas</b>							
Guangdong Province	2,364,599,997.71	436,346,962.43	300,907,133.23	39,937,811.54	1,275,630,578.62	202,381,565.36	4,619,804,048.89
Hunan Province	300,436,609.59	15,133,454.30	-	-	-	-	315,570,063.89
Guizhou Province	-	76,981,714.64	73,038,797.78	-	2,783,565.54	63,826,446.06	216,630,524.02
Hubei Province	1,952,270.25	14,199,963.55	-	-	-	-	16,152,233.80
Jiangsu Province	-	54,115,137.62	-	-	2,142,599.04	-	56,257,736.66
Inner Mongolia Autonomous Region	-	92,106,030.74	-	-	21,737,032.52	-	113,843,063.26
Guangxi Zhuang Autonomous Region	-	132,230,185.74	-	-	22,071,607.25	-	154,301,792.99
Shandong Province	-	41,740,161.13	-	-	-	-	41,740,161.13
Zhejiang Province	-	33,194,239.03	-	-	-	-	33,194,239.03
Sichuan Province	-	30,728,238.22	-	-	3,455,492.70	-	34,183,730.92
Jiangxi Province	-	76,468,059.65	-	-	9,760,938.30	-	86,228,997.95
Hebei Province	-	22,376,445.02	-	-	1,482,612.24	-	23,859,057.26
Xinjiang Uygur Autonomous Region	-	129,362,562.75	-	-	-	-	129,362,562.75
Henan Province	-	14,947,619.85	-	-	-	-	14,947,619.85
Ningxia Hui Autonomous Region	-	64,525,181.35	-	-	-	-	64,525,181.35
Anhui Province	-	20,992,588.15	-	-	7,790,141.48	-	28,782,729.63
<b>Total</b>	<b>2,666,988,877.55</b>	<b>1,255,448,544.17</b>	<b>373,945,931.01</b>	<b>39,937,811.54</b>	<b>1,346,854,567.69</b>	<b>266,208,011.42</b>	<b>5,949,383,743.38</b>
<b>Main service categories</b>							
Timing of revenue recognition	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Revenue recognized at a point in time	2,666,988,877.55	1,145,790,417.13	-	-	-	133,400,181.01	3,946,179,475.69
Revenue recognized over time	-	109,658,127.04	373,945,931.01	-	1,346,854,567.69	125,836,596.86	1,956,295,222.60
<b>Total</b>	<b>2,666,988,877.55</b>	<b>1,255,448,544.17</b>	<b>373,945,931.01</b>	<b>-</b>	<b>1,346,854,567.69</b>	<b>259,236,777.87</b>	<b>5,902,474,698.29</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
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48. Operating income and cost of services - continued

(3) Breakdown of cost of services - continued

2022

RMB

Reporting segment	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	2,246,081,759.92	480,422,712.44	346,027,216.28	35,408,623.71	1,062,239,762.45	162,915,380.81	4,333,095,455.61
Hunan Province	296,909,457.56	-	-	-	-	-	296,909,457.56
Guizhou Province	-	73,474,668.28	344,293,008.31	-	8,611,308.30	119,695,332.54	546,074,317.43
Hubei Province	257,092,198.90	13,630,351.36	-	-	-	-	270,722,550.26
Jiangsu Province	-	163,444,049.08	-	-	-	-	163,444,049.08
Inner Mongolia Autonomous Region	-	80,314,099.76	-	-	12,342,227.16	-	92,656,326.92
Guangxi Zhuang Autonomous Region	-	100,508,572.65	-	-	83,520,040.47	-	184,028,613.12
Shandong Province	-	65,346,463.95	-	-	-	-	65,346,463.95
Zhejiang Province	-	30,487,129.66	-	-	-	-	30,487,129.66
Sichuan Province	-	2,530,494.38	-	-	67,526,440.66	-	70,056,935.04
Jiangxi Province	-	58,389,861.36	-	-	-	-	58,389,861.36
Hebei Province	-	20,000,776.36	-	-	-	-	20,000,776.36
Xinjiang Uygur Autonomous Region	-	126,984,063.75	-	-	-	-	126,984,063.75
Henan Province	-	13,543,284.18	-	-	-	-	13,543,284.18
Ningxia Hui Autonomous Region	-	50,722,284.58	-	-	-	-	50,722,284.58
Anhui Province	-	9,147,585.16	-	-	21,987,107.94	-	31,134,693.10
<b>Total</b>	<b>2,800,083,416.38</b>	<b>1,288,946,396.95</b>	<b>690,320,224.59</b>	<b>35,408,623.71</b>	<b>1,256,226,886.98</b>	<b>282,610,713.35</b>	<b>6,353,596,261.96</b>
Main service categories	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Timing of revenue recognition							
Revenue recognized at a point in time	2,800,083,416.38	1,236,522,544.48	-		-	193,263,671.94	4,229,869,632.80
Revenue recognized over time	-	52,423,852.47	690,320,224.59		1,256,226,886.98	74,604,553.93	2,073,575,517.97
<b>Total</b>	<b>2,800,083,416.38</b>	<b>1,288,946,396.95</b>	<b>690,320,224.59</b>		<b>1,256,226,886.98</b>	<b>267,868,225.87</b>	<b>6,303,445,150.77</b>

(4) Descriptions on performance obligations

The main businesses of the Group are toll highways, environmental protection, etc. Please refer to Note III, 30.

There is no major financing component in the revenue contract of the Group.

(5) Descriptions on allocation to remaining performance obligations

At the end of the year, the amount of contract liabilities corresponding to the performance obligations for which the Group has entered into a contract but which has not been fulfilled or completely fulfilled was RMB 67,149,275.34, and the revenue will be recognized when the customer obtains control of the product.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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49. Taxes and surcharges

RMB

Item	2023	2022
City maintenance and construction tax	13,946,380.25	11,796,699.39
Educational surcharge	9,885,060.98	9,130,624.07
Property tax	9,603,848.35	7,908,790.96
Stamp tax	2,093,980.95	3,022,030.56
Land appreciation tax	2,079,414.80	3,904,865.45
Land use tax	2,818,873.90	3,875,314.99
Others	942,125.54	804,070.29
<b>Total</b>	<b>41,369,684.77</b>	<b>40,442,395.71</b>

50. Selling expenses

RMB

Item	2023	2022
Salaries and wages	12,684,656.93	23,547,867.34
Low-value consumables	-	2,074,187.54
Advertising expenses and business promotion expenses	2,581,805.44	4,265,619.98
Travel fees	1,276,860.13	2,018,173.12
Depreciation and amortization	702,027.22	782,850.92
Business entertainment	67,316.80	399,255.21
Others	2,473,170.76	2,487,507.27
<b>Total</b>	<b>19,785,837.28</b>	<b>35,575,461.38</b>

51. General and administrative expenses

RMB

Item	2023	2022
Salaries and wages	268,155,912.05	227,545,001.54
Depreciation and amortization	116,258,131.26	109,663,514.25
Office building management fees	10,631,217.65	7,045,488.98
Legal and advisory fees	27,515,428.12	36,161,698.21
Office and communication charges	11,113,758.40	7,808,493.10
Audit fees	12,447,748.51	13,383,978.38
Travel fees	4,746,182.97	3,778,271.08
Rents	2,790,535.54	7,176,686.70
Stock exchange fees	6,581,075.96	6,363,352.28
Business entertainment fees	3,985,630.68	5,218,442.89
Vehicle fees	2,102,795.91	1,519,638.33
Others	16,854,567.71	18,054,309.55
<b>Total</b>	<b>483,182,984.76</b>	<b>443,718,875.29</b>

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

- continued

**52. Research and development expenses**

RMB

Item	2023	2022
Labor cost	15,907,314.46	25,107,407.13
Direct consumables	4,657,321.83	6,042,787.93
Depreciation and amortization	7,448,778.18	8,314,618.32
Technical service fee	610,530.00	5,259,101.59
Others	4,852,858.05	1,753,322.80
<b>Total</b>	<b>33,476,802.52</b>	<b>46,477,237.77</b>

The research and development expenses include costs of materials and labor, depreciation and amortization of R&D machines used in the development of patents. The R&D expenses in this year mainly include the expenses on research and development of green recycling technology for waste batteries of Qiantai Company, and those on research and development of various environmental protection device systems and process technologies of Bioland Company and Lisai Environmental Protection.

**53. Financial expenses**

RMB

Item	2023	2022
Interest expenses	1,241,927,125.27	1,213,880,879.04
Including: Interest expenses on borrowings	884,652,950.22	761,101,929.87
Interest expenses on bonds payable	300,200,268.75	341,829,740.19
Interest expenses on long-term payables	16,674,836.49	31,522,173.92
Unrecognized financing expenses of compensation for newly-built toll station of Longda Expressway and Three Expressways	26,742,016.32	30,693,607.08
Interest expenses on lease liabilities	7,225,082.58	26,214,597.79
Interest expenses on provisions	6,175,647.35	15,143,130.87
Interest expenses on notes discounted	256,323.56	5,451,241.84
Interest expenses on house payment received in advance	-	1,924,457.48
Less: Interest income	70,974,421.18	130,089,462.79
Less: Interest capitalized	12,345,782.87	28,808,232.04
Including: Interest expense capitalized	12,659,236.04	29,209,632.23
Interest income capitalized	313,453.17	401,400.19
Exchange losses	72,777,474.20	318,161,944.37
Others	8,822,125.32	13,526,289.72
<b>Total</b>	<b>1,240,206,520.74</b>	<b>1,386,671,418.30</b>

In 2023, the capitalization amount of the Group's borrowing costs included in inventories and intangible assets is set out in Note V, 7 (3) and Note V, 19 (3).

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

- continued

53. Financial expenses - continued

Details of interest income are listed as follows:

	RMB	
Item	2023	2022
Interest on deposits	42,122,277.11	74,225,527.21
Interest income on free compensation	25,033,749.50	38,973,416.58
Interest income on advances from shareholder	3,818,394.57	16,104,641.51
Interest income on long-term receivables	-	785,877.49
Less: Interest income capitalized	313,453.17	401,400.19
<b>Total</b>	<b>70,660,968.01</b>	<b>129,688,062.60</b>

54. Other income

	RMB	
Classification by nature	2023	2022
Award for return of Duohua Project	13,603,415.00	-
VAT refund on collection	8,233,624.93	4,712,005.05
Central government subsidy for cancellation of provincial expressway toll station project	7,129,398.11	7,129,398.11
Government financial aid for Bioland Company	3,480,486.90	3,245,878.08
Tax refund and additional deduction of VAT	2,930,822.00	1,695,860.91
Financial grants for Guizhou Land	32,486.18	1,874,814.54
Research and development and application demonstration of green recycling technology for used ternary lithium-ion batteries of Qiantai Company	-	1,800,000.00
Others	10,419,782.85	11,492,066.04
<b>Total</b>	<b>45,830,015.97</b>	<b>31,950,022.73</b>

55. Investment income

	RMB	
Item	2023	2022
Income from long-term equity investments under the equity method (Note V, 13)	1,477,767,743.34	582,687,782.25
Investment income from financial products	14,631,595.42	9,385,482.19
Investment income from other non-current financial assets during the holding period	10,964,210.54	18,622,334.03
Investment income from disposal of long-term equity investments	1,281,118.47	921,200,000.00
Others	208,789.71	2,000,913.63
<b>Total</b>	<b>1,504,853,457.48</b>	<b>1,533,896,512.10</b>

56. Gains from changes in fair value

	RMB	
Item	2023	2022
Financial assets (liabilities) at FVTPL	153,607,037.26	95,175,495.33
Including: Other non-current financial assets (Note V, 14)	130,604,671.82	24,418,156.18
Obligation to pay the difference	(13,096,456.41)	(57,612,566.52)
Compensation for valuation adjustment mechanism	36,098,821.85	128,369,905.67
<b>Total</b>	<b>153,607,037.26</b>	<b>95,175,495.33</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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57. Credit impairment gains (losses)

RMB

Item	2023	2022
Impairment losses of accounts receivable (Note V, 4(3))	(62,271,608.80)	(61,740,491.04)
Impairment losses of other receivables (Note V, 6.3(4))	(21,624,108.07)	(4,253,230.23)
Impairment losses of long-term receivables (Note V, 12(3))	(16,311,954.02)	(17,229,947.03)
<b>Total</b>	<b>(100,207,670.89)</b>	<b>(83,223,668.30)</b>

58. Gains (losses) on impairment of assets

RMB

Item	2023	2022
Losses on decline in value of inventories (Note V, 7(2))	(132,225,841.52)	(99,012,856.94)
Impairment losses of intangible assets	-	(19,050,197.20)
Impairment losses of goodwill	-	(46,039,775.24)
Impairment losses of contract assets	-	(13,651.38)
<b>Total</b>	<b>(132,225,841.52)</b>	<b>(164,116,480.76)</b>

59. Non-operating income

RMB

Item	2023	2022	Amount recognized in non-recurring profit or loss for the period
Government grants not related to daily activities	295,495.94	2,553,806.73	295,495.94
Others	7,289,688.05	22,215,009.96	7,289,688.05
<b>Total</b>	<b>7,585,183.99</b>	<b>24,768,816.69</b>	<b>7,585,183.99</b>

(1) Government grants not related to daily activities are as follows:

RMB

Item	2023	2022	Related to assets / income
Government incentives	295,495.94	2,553,806.73	Related to income

60. Non-operating expenses

RMB

Item	2023	2022	Amount recognized in non-recurring profit or loss for the period
Loss on destruction and retirement of non-current assets Provision for liquidated damages and compensation by subsidiaries	94,122,644.67	3,402,892.22	94,122,644.67
Donation	3,801,000.00	312,335.30	3,801,000.00
Losses on damage or retirement of non-current assets	944,497.51	14,760,041.44	944,497.51
Others	6,493,566.82	8,848,692.16	6,493,566.82
<b>Total</b>	<b>105,361,709.00</b>	<b>27,323,961.12</b>	<b>105,361,709.00</b>

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

- continued

**61. Income tax expenses**

(1) Classification of income tax expenses

	RMB	
Item	2023	2022 (Restated)
Current tax expense	507,153,681.07	529,626,485.34
Deferred tax expense	22,648,906.85	(304,979.03)
<b>Total</b>	<b>529,802,587.92</b>	<b>529,321,506.31</b>

(2) Reconciliation of income tax expenses to the accounting profit is as follows:

	RMB	
Item	2023	2022 (Restated)
Total profit	2,915,633,626.92	2,484,525,047.12
Income tax expenses calculated at the statutory/applicable tax rate	728,908,406.73	621,131,261.78
Effect of different tax rates applicable to certain subsidiaries	(47,343,744.39)	53,478,663.75
Effect of income not subject to tax	(347,072,059.48)	(271,059,644.66)
Effect of deductible temporary differences or deductible losses for which deferred tax assets not recognized for the year	164,456,533.58	140,776,288.67
Effect of adjusting income tax of the previous year	31,925,933.47	1,745,835.86
Effect of cost, expenses and losses not deductible	825,280.74	1,360,567.13
Effect of using previously unrecognized deductible losses and deductible temporary differences	(1,897,762.73)	(18,111,466.22)
<b>Income tax expenses</b>	<b>529,802,587.92</b>	<b>529,321,506.31</b>

**62. Items in the statement of cash flows**

(1) Cash relating to operating activities

Other cash received relating to operating activities

	RMB	
Item	2023	2022
Security deposit received and recovered	165,513,843.20	67,302,144.44
Funds temporarily received	66,343,786.88	86,900,756.82
Government grants received	22,779,608.17	11,025,614.36
Interest income	24,974,001.00	29,112,979.63
Project compensation received	3,988,269.83	6,866,476.64
Project advances received	3,116,652.92	31,733,600.00
Others	109,180,915.51	73,623,892.03
<b>Total</b>	<b>395,897,077.51</b>	<b>306,565,463.92</b>

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

- continued

**62. Items in the statement of cash flows - continued**

(1) Cash relating to operating activities - continued

Other cash payments relating to operating activities

RMB

Item	2023	2022
Project funds paid	206,925,630.33	120,300,234.01
Security deposit paid and refunded	123,296,987.47	28,534,837.46
Expenditures	78,704,059.69	84,310,086.59
Intermediary service fee	46,072,535.80	73,486,239.15
Withholding payments paid	39,945,833.63	70,156,810.39
Repayment of borrowings to shareholders	-	13,800,000.00
Others	123,315,876.91	97,975,747.27
<b>Total</b>	<b>618,260,923.83</b>	<b>488,563,954.87</b>

(2) Cash relating to investing activities

Cash received relating to significant investing activities

RMB

Item	2023	2022
Structured deposits recovered during the year	2,370,000,000.00	1,368,000,000.00

Cash payments relating to significant investing activities

RMB

Item	2023	2022
Capital expenditures on Coastal Expressway Phase II project	610,417,562.16	541,267,017.83
Increase in structured deposits and certificates of time deposits for the year	1,990,000,000.00	1,918,000,000.00
Payments made by Financial Leasing Company during the year for purchase of equipment under finance lease	527,944,486.09	157,672,747.48

Other cash received relating to investing activities

RMB

Item	2023	2022
Recovery of advances from shareholder	209,960,000.00	52,920,000.00
Interest income	20,966,670.68	99,802,499.04
Equity refunds received	-	32,383,800.00
Others	19,183.10	467,751.95
<b>Total</b>	<b>230,945,853.78</b>	<b>185,574,050.99</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

62. Items in the statement of cash flows - continued

(2) Cash relating to investing activities - continued

Other cash payments relating to investing activities

Item	2023	2022
Payment of expenses related to the construction of Shaoyang project	1,627,307.24	-
Others	328,549.96	634,617.04
<b>Total</b>	<b>1,955,857.20</b>	<b>634,617.04</b>

RMB

(3) Cash relating to financing activities

Other cash received relating to financing activities

Item	2023	2022
Refundable finance lease deposits received	-	12,000,000.00
Funds on discounted bills received	-	20,000,000.00
Others	-	136,606.04
<b>Total</b>	-	<b>32,136,606.04</b>

RMB

Other cash payments relating to financing activities

Item	2023	2022
Payment for principal and interest on sale and leaseback financing	177,345,554.37	248,693,824.31
Repayment of principal and interest on lease liabilities	46,243,852.92	345,688,211.22
Repayment for capital contribution from minority shareholders	19,005,693.50	28,058,311.04
Payment of interest on USD bonds and withholding taxes on annual trust fees	6,611,099.56	-
Brokerage fees for issuing bonds	3,848,383.69	7,127,645.26
Payment for acquisition of equity from minority shareholders	-	74,222,613.03
Others	123,947,074.75	2,743,292.32
<b>Total</b>	<b>377,001,658.79</b>	<b>706,533,897.18</b>

RMB

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**62. Items in the statement of cash flows - continued**

(3) Cash relating to financing activities - continued

Changes in liabilities arising from financing activities

RMB

Item	Opening balance	Additions in cash changes for the year	Reductions in cash changes for the year	Non-cash changes, net	Closing balance
Short-term borrowings	9,396,229,275.32	11,026,972,327.94	9,639,737,957.79	322,162,191.38	11,105,625,836.85
Other current liabilities – Ultra-short term financing bonds	2,016,515,923.01	3,500,000,000.00	4,048,989,535.15	45,068,225.54	1,512,594,613.40
Long-term borrowings (including long-term payables due within one year)	10,562,228,588.12	1,339,070,895.32	1,732,311,472.52	396,459,220.17	10,565,447,231.09
Bonds payable (including bonds payable due within one year)	8,926,906,323.71	2,550,000,000.00	3,278,556,914.73	296,741,913.13	8,495,091,322.11
Lease liabilities (including lease liabilities due within one year)	101,256,379.57	-	46,243,852.92	24,835,278.09	79,847,804.74
Long-term payables (including long-term payables due within one year)	3,328,717,648.48	80,000,000.00	2,708,454,929.05	231,077,099.40	931,339,818.83
Dividends payable	59,026,395.77	-	1,434,363,701.52	1,380,959,527.93	5,622,222.18

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS  
- continued

63. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Supplementary information	2023	2022 (Restated)
<b>RMB</b>		
<b>1. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	2,385,831,039.00	1,955,203,540.81
Add: Credit impairment losses	100,207,670.89	83,223,668.30
Impairment loss of assets	132,225,841.52	164,116,480.76
Depreciation of fixed assets	487,032,577.55	482,138,003.74
Depreciation of right-of-use assets	42,612,865.76	53,201,992.21
Depreciation of investment properties	1,420,347.70	1,453,496.29
Amortization of intangible assets	1,813,092,547.52	1,724,091,107.82
Amortization of long-term prepaid expenses	18,494,871.82	15,774,981.52
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(13,654,355.39)	(7,297,414.27)
Losses on damage and retirement of non-current assets	944,497.51	14,760,041.44
Losses (gains) on changes in fair value	(153,607,037.26)	(95,175,495.33)
Financial expenses	1,265,180,521.74	898,678,586.05
Investment loss (income)	(1,504,853,457.48)	(1,533,896,512.10)
Decrease in deferred tax assets	155,192,293.37	31,656,973.32
Increase (decrease) in deferred tax liabilities	(132,543,386.52)	(31,961,952.35)
Decrease (increase) in inventories	(173,526,898.20)	(74,454,954.67)
Decrease (increase) in operating receivables	(44,421,711.94)	247,068,318.49
Increase (decrease) in operating payables	(284,815,999.72)	(559,090,750.84)
<b>Net cash flows from operating activities</b>	<b>4,094,812,227.87</b>	<b>3,369,490,111.19</b>
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	1,955,220,227.32	3,197,002,667.41
Less: Opening balance of cash	3,197,002,667.41	5,456,959,403.09
Net increase (decrease) in cash and cash equivalents	(1,241,782,440.09)	(2,259,956,735.68)

(2) Composition of cash and cash equivalents

Item	31 December 2023	31 December 2022
<b>RMB</b>		
I. Cash	1,955,220,227.32	3,197,002,667.41
Including: Cash on hand	6,881,214.18	9,205,134.25
Cash at banks that can be withdrawn on demand	1,948,339,013.14	3,187,797,533.16
II. Balance of cash and cash equivalents at the end of the year	1,955,220,227.32	3,197,002,667.41
Add: Restricted cash and cash equivalents held by the Company and subsidiaries of the Group (Note V,1)	197,147,405.73	438,629,991.31
Add: Interest on bank deposits	-	229,500.00
III. Cash at banks and on hand	2,152,367,633.05	3,635,862,158.72

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**64. Monetary items denominated in foreign currencies**

(1) Monetary items denominated in foreign currencies

Item	31 December 2023	Exchange rate	Equivalent to RMB
Cash at banks and on hand			
HKD	61,658,449.02	0.91	55,876,119.67
USD	1,132,819.36	7.08	8,023,419.68
EUR	12.00	7.86	94.31
FRF	11.70	8.42	98.50
ESP	446.00	0.05	20.88
JPY	379.98	0.05	19.08
Other receivables			
HKD	939,946.73	0.91	851,798.53
Short-term borrowings			
HKD	11,765,393,687.06	0.91	10,668,512,658.26
Employee benefits payable			
HKD	2,319,340.16	0.91	2,101,832.44
USD	100,616.96	7.08	712,639.74
Other payables			
HKD	2,869,204.29	0.91	2,600,130.31
USD	4,115.23	7.08	29,146.97
Non-current liabilities due within one year			
HKD	82,909,288.68	0.91	75,134,055.59
USD	2,522,916.63	7.08	17,869,061.62
Bonds payable			
USD	300,000,000.00	7.08	2,116,263,707.56
Long-term borrowings			
HKD	725,082,410.89	0.91	657,084,182.40
Lease liabilities			
HKD	1,553,743.49	0.91	1,408,033.43

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**64. Monetary items denominated in foreign currencies - continued**

(2) Overseas operating entities

The significant overseas operating entities of the Group include Mei Wah Company, SIHICH and Bay Area Development, among which Mei Wah Company, an investment and financing company, chooses HKD as its functional currency. SIHICH is an investment company which chooses HKD as its functional currency, and its principal subsidiaries and joint ventures determine RMB as their functional currency on the basis of the primary economic environment in which they operate. Bay Area Development is an investment company whose investment entities have their principal operating activities in mainland China and choose RMB as their functional currency.

**65. Leases**

(1) As a lessee

The Group has lease contracts for various items of houses and buildings, vehicles, machinery and other equipment used in the operating process. Leases of buildings, machinery and equipment generally have lease terms of 1 to 9 years, while those of vehicles and other equipment generally have lease terms of 1 to 3 years. The above right-of-use assets cannot be used as mortgages and guarantees for borrowings.

Short-term lease expenses or expenses on leases of low-value assets that are accounted for using simplified approach:

Short-term lease expenses and expenses on leases of low-value assets that are accounted for using simplified approach and included in profit or loss for the period amounted to RMB 34,260,738.17 (2022: RMB 22,248,990.29) and RMB nil (2022: RMB 1,769,955.68), respectively.

Total cash outflows relating to leases for the year amounted to RMB 257,850,145.46 (2022: RMB 618,400,981.50).

(2) As a lessor

Operating leases

Item	Lease income	RMB
Parking spaces, workshops, staff dormitory buildings and other buildings	18,882,543.76	-

The Group leases out some parking spaces, workshops, staff dormitory buildings and other buildings for indefinite lease term and lease term of 1 to 5 year, forming an operating lease.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

**65. Leases - continued**

(2) As a lessor - continued

Operating leases - continued

Income related to operating leases for the year amounted to RMB 18,882,543.76 (2022: RMB 27,964,856.09), of which income related to variable lease payments that are not included in lease receipts was RMB nil (2022: RMB nil).

	RMB	
	31 December 2023	31 December 2022
1 <sup>st</sup> year subsequent to the balance sheet date	15,680,756.97	16,048,766.55
2 <sup>nd</sup> year subsequent to the balance sheet date	8,908,499.86	10,324,912.24
3 <sup>rd</sup> year subsequent to the balance sheet date	4,040,344.65	6,241,286.58
4 <sup>th</sup> year subsequent to the balance sheet date	3,675,379.53	4,048,363.77
5 <sup>th</sup> year subsequent to the balance sheet date	3,675,379.53	3,694,488.59
Subsequent years	15,877,354.29	19,533,564.88
Total undiscounted lease receipts	51,857,714.83	59,891,382.61

Finance lease

	RMB		
Item	Gains/losses on sales	Financing income	Income related to variable lease payments excluding net lease investment
Direct leases	-	55,363,854.36	-

The Group, as a lessor, entered into lease contracts on fixed assets with customers, with lease term ranging from 2 to 13 years. The contracts do not contain options for renewal and termination.

Reconciliation of undiscounted lease receipts to net lease investment

	RMB	
	Undiscounted lease receipts	
	31 December 2023	31 December 2022
Total undiscounted lease receipts	1,698,296,991.17	1,643,753,203.20
Unguaranteed residual value	-	-
Total lease investment	1,698,296,991.17	1,643,753,203.20
Less: Unrealized financing income	384,860,063.07	458,662,218.40
Net lease investment	1,313,436,928.10	1,185,090,984.80
Including: Finance lease receivables due within 1 year	260,026,234.70	145,910,867.47
Finance lease receivables due after 1 year	1,053,410,693.40	1,039,180,117.33

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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V. **NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**  
- continued

65. **Leases - continued**

(2) As a lessor - continued

Finance lease - continued

Undiscounted lease receipts for the next five years

RMB

Item	Undiscounted lease receipts per year	
	31 December 2023	31 December 2022
The first year	272,364,778.91	210,134,524.53
The second year	249,530,049.40	209,669,521.66
The third year	155,815,412.58	220,010,485.03
The fourth year	209,612,201.52	177,053,664.01
The fifth year	197,293,343.45	155,165,919.92
Total undiscounted lease receipts after five years	613,681,205.31	671,719,088.05

Gains relating to finance lease are as follows:

RMB

	2023	2022
Gains/losses on sales	-	-
Financing income from net lease investment	55,363,854.36	58,869,523.43
<b>Total</b>	<b>55,363,854.36</b>	<b>58,869,523.43</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combination not involving entities under common control

(1) Business combination not involving entities under common control for the year

RMB									
Name of acquiree	Equity acquisition date	Cost of acquisition	Shareholding percentage (%)	Acquisition method	Acquisition date	Basis for determination of acquisition date	Income of the acquiree from the date of acquisition to the end of the year	Net profit of the acquiree from the date of acquisition to the end of the year	Cash flows of the acquiree from the date of acquisition to the end of the year
Zhangshu Gaochuan New Energy Co., Ltd. ("Zhangshu Gaochuan") (Note)	1 December 2023	1,000,000.00	100.00	Acquisition of equity	1 December 2023	The control of the acquiree has been transferred	1,248,538.87	(502,443.39)	(128.99)

Note: In the current year, Nanjing Wind Power, a subsidiary of the Company, entered into an agreement with Jiangxi Gaochuan New Energy Co., Ltd., the parent company of Zhangshu Gaochuan, to acquire 100.00% equity interests in Zhangshu Gaochuan at RMB 1,000,000.00. On 1 December 2023, the equity transfer procedures were completed and, Nanjing Wind Power appointed senior executives and relevant personnel in Zhangshu Gaochuan, taken over their daily operating activities and controlled the financial and operation policies of Zhangshu Gaochuan, enjoying corresponding benefits and bearing corresponding risks. Therefore, the Group included Zhangshu Gaochuan in the scope of consolidated financial statements with effect from 1 December 2023.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

**VI. CHANGES IN SCOPE OF CONSOLIDATION - continued**

**1. Business combination not involving entities under common control - continued**

(2) Consolidation cost and goodwill

Item	RMB	
	Zhangshu Gaochuan	
Cash paid		-
Fair value of non-cash assets		1,000,000.00
Total consolidation cost		1,000,000.00
Less: Fair value share of identifiable net assets acquired		1,000,000.00
Goodwill		-

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

Item	RMB	
	Zhangshu Gaochuan	
	Fair value on acquisition date	Carrying amount on acquisition date
Assets:	325,591,698.66	335,993,922.38
Cash at banks and on hand	58,165.86	58,165.86
Accounts receivable	8,373,829.52	8,373,829.52
Prepayments	35,280.75	35,280.75
Other receivables	98,672,280.84	98,672,280.84
Fixed assets	205,867,658.34	216,307,304.17
Intangible assets	1,463,376.65	1,425,954.54
Long-term prepaid expenses	215,405.20	215,405.20
Other current assets	10,905,701.50	10,905,701.50
Liabilities:	324,591,698.66	324,591,698.66
Accounts payable	137,833,675.82	137,833,675.82
Other payables	35,000.00	35,000.00
Long-term payables	186,723,022.84	186,723,022.84
Net assets	1,000,000.00	11,402,223.72
Less: Minority interests	-	-
Net assets acquired	1,000,000.00	11,402,223.72

**2. Changes in scope of consolidation for other reasons**

(1) New subsidiaries for the year

Jinshen New Energy was established in Shenzhen, Guangdong Province on 11 March 2023 with a registered capital of RMB 1,000,000,000.00 and, the Group holds 65.00% of its equity. The company's scope of operation is the production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current year.

Shenzhen Expressway Shengneng Technology Co., Ltd. ("Expressway Shengneng Technology") was established in Shenzhen, Guangdong Province on 13 March 2023 with a registered capital of RMB 15,000,000.00 and, the Group holds 100.00% of its equity. The company's scope of operation is the production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current year.

**VI. CHANGES IN SCOPE OF CONSOLIDATION - continued**

**2. Changes in scope of consolidation for other reasons - continued**

(1) New subsidiaries for the year - continued

Guizhou Ziyun Jinshen New Energy Co., Ltd. ("Guizhou Ziyun") was established in Anshun, Guizhou Province on 17 March 2023 with a registered capital of RMB 50,000,000.00 and the Group holds 100.00% of its equity. The company's scope of operation is production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current year.

Xingren Yuansheng New Energy Co., Ltd. ("Xingren Yuansheng") was established in Xingren, Guizhou Province on 11 April 2023 with a registered capital of RMB 2,000,000.00 and, the Group holds 100.00% of its equity. The company's scope of operation is production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current year.

Duyun Jinxin New Energy Co., Ltd. ("Duyun Jinxin") was established in Duyun, Guizhou Province on 18 April 2023 with a registered capital of RMB 1,000,000.00 and, the Group holds 100.00% of its equity. The company's scope of operation is production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current year.

Pingshan Jishen New Energy Technology Co., Ltd. ("Jishen New Energy Technology") was established in Shijiazhuang, Hebei Province on 4 August 2023 with a registered capital of RMB 110,000,000.00 and, the Group holds 100% of its equity. The company's scope of operation is power generation, transmission and supply (distribution). This newly-established subsidiary was included in the scope of consolidation during the current year.

Hunan Yichang Expressway Operation & Management Co., Ltd. ("Yichang Expressway Operation & Management") was established in Changde, Hunan Province on 22 August 2023 with a registered capital of RMB 5,000,000.00 and, the Group holds 100% of its equity. The company's scope of operation is engineering management and traffic facility maintenance. This newly-established subsidiary was included in the scope of consolidation during the current year.

Ya'an Shenlan Environmental Protection Technology Co., Ltd. ("Ya'an Shenlan Environmental Protection Technology") was established in Ya'an, Sichuan Province on 5 September 2023 with a registered capital of RMB 25,000,000.00 and, the Group holds 100% of its equity. The company's scope of operation is research and development of resource recycling technology; solid waste treatment; sale of fertilizer; sewage treatment and recycling; processing and sale of non-edible vegetable oil. This newly-established subsidiary was included in the scope of consolidation during the current year.

# SHENZHEN EXPRESSWAY CORPORATION LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### VI. CHANGES IN SCOPE OF CONSOLIDATION - continued

#### 2. Changes in scope of consolidation for other reasons

##### (2) Cancellation of subsidiaries for the year

Shenzhen High Speed Advertising Limited Company ("Advertising Company"), Shenzhen Expressway SUEZ Environment Limited Company, Harbin Lingfeng New Energy Co., Ltd. and Xuanwei Nanfeng New Energy Co., Ltd., subsidiaries of the Group, have been cancelled, the taxation and business cancellation procedures of which were completed on 6 June 2023, 2 January 2023, 30 May 2023 and 20 December 2023, respectively.

### VII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1) Composition of the Group

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Outer Ring Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	6,500,000,000.00	100.00	-	Incorporation
Investment Company	Guizhou Province, PRC	Shenzhen, Guangdong Province, PRC	Investment	1,000,000,000.00	100.00	-	Incorporation
Guizhou Guishen Investment Development Company Limited ("Guishen Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	500,000,000.00	-	70.00	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	158,000,000.00	-	100.00	Incorporation
Property Management Company	Longli County, Guizhou Province, PRC	Shenzhen, Guangdong Province, PRC	Property management	1,000,000.00	-	100.00	Incorporation
Environment Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental projects and advisory	6,550,000,000.00	100.00	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD 30,000,000.00	-	100.00	Business combinations under common control
Hubei Magerk Expressway Management Co., Ltd.	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD 28,000,000.00	-	100.00	Business combinations under common control
Qinglian Company	Qingyuan, Guangdong Province, PRC	Qingyuan, Guangdong Province, PRC	Toll road operation	3,361,000,000.00	51.37	25.00	Business combinations not under common control
Meiguan Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	332,400,000.00	100.00	-	Business combinations not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong, PRC	Investment holding	HKD 7,953,813.00	100.00	-	Business combinations not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD 85,360,000.00	-	100.00	Business combinations not under common control
Fameluxe Company	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD 10,000.00	-	100.00	Business combinations not under common control
Shenzhen Expressway Operation Development Co., Ltd. ("Operation Development Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	60,000,000.00	98.70	1.30	Incorporation

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VII. INTERESTS IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

(1) Composition of the Group - continued

Name of subsidiary	Place of major business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Qinglong Company (Note 1)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	324,000,000.00	40.00	10.00	Business combinations not under common control
Shenchang Company	Changsha, Hunan Province, PRC	Changsha, Hunan Province, PRC	Toll road operation	200,000,000.00	51.00	-	Business combinations not under common control
Yichang Company	Changde, Hunan Province, PRC	Changde, Hunan Province, PRC	Toll road operation	345,000,000.00	100.00	-	Business combinations not under common control
Shenzhen Expressway Construction Development Company Limited ("Construction Development Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Infrastructure construction	30,000,000.00	100.00	-	Incorporation
Infrastructure Environment Protection Development Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Infrastructure and environment protection business	500,000,000.00	51.00	49.00	Incorporation
Shenzhen Express Private Equity Industry Investment Fund Management Co., Ltd. ("Fund Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Capital market services	19,607,800.00	51.00	-	Incorporation
Shenzhen Guangshen Coastal Expressway Investment Company Limited ("Coastal Expressway")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	5,714,285,714.00	49.00	51.00	Business combination under common control
Guishen Expressway Investment	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000.00	-	100.00	Incorporation
Shenzhen Expressway Yijia Apartment Management Limited Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Apartment leases and management	10,000,000.00	-	60.00	Incorporation
Yefengrui Land	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000.00	-	100.00	Incorporation
Nanjing Wind Power (Note 2)	Nanjing, Jiangsu Province, PRC	Nanjing, Jiangsu Province, PRC	Manufacturing	357,142,900.00	-	98.04	Business combinations not under common control
Baotou Jinling Wind Power Technology Co., Ltd.	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Manufacturing	20,000,000.00	-	100.00	Business combinations not under common control
Shangzhi Nanfeng New Energy Technology Co., Ltd.	Shangzhi, Heilongjiang Province, PRC	Shangzhi, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	100.00	Incorporation
Baotou Nanfeng	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	632,800,000.00	0.95	99.05	Business combinations not under common control
Baotou Lingxiang	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	148,100,000.00	-	100.00	Business combinations not under common control
Nanchuan Wind Power	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	128,200,000.00	-	100.00	Business combinations not under common control
Ningyuan Wind Power	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	179,000,000.00	-	100.00	Business combinations not under common control
Ningxiang Wind Power	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	129,500,000.00	-	100.00	Business combinations not under common control
Ningfeng Wind Power	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	126,000,000.00	-	100.00	Business combinations not under common control
Bioland Company	Shenzhen, Guangdong Province, PRC	Zhengzhou, Henan Province, PRC	Environment and facility services	505,439,108.00	-	92.29	Business combinations not under common control
Guangxi Bioland	Nanning, Guangxi Zhuang Autonomous Region, PRC	Nanning, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	123,000,000.00	-	100.00	Business combinations not under common control
Dezhou Bioland	Dezhou, Shandong Province, PRC	Dezhou, Shandong Province, PRC	Kitchen waste disposal	50,000,000.00	-	100.00	Business combinations not under common control

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VII. INTERESTS IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

**(1) Composition of the Group - continued**

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Guiyang Beier Bioland	Guiyang, Guizhou Province, PRC	Guiyang, Guizhou Province, PRC	Kitchen waste disposal	110,923,700.00	-	100.00	Business combinations not under common control
Taizhou Bioland	Taizhou, Jiangsu Province, PRC	Taizhou, Jiangsu Province, PRC	Kitchen waste disposal	68,000,000.00	-	100.00	Business combinations not under common control
Dezhou Zhonghe Environmental Protection Equipment Manufacturing Co., Ltd.	Dezhou, Shandong Province, PRC	Dezhou, Shandong Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Kunshan Beier Bioland Environmental Technology Co., Ltd.	Kunshan, Jiangsu Province, PRC	Kunshan, Jiangsu Province, PRC	Kitchen waste disposal	25,000,000.00	-	95.00	Business combinations not under common control
Longyou Bioland	Quzhou, Zhejiang Province, PRC	Quzhou, Zhejiang Province, PRC	Kitchen waste disposal	10,500,000.00	-	100.00	Business combinations not under common control
Langfang Waterland	Langfang, Hebei Province, PRC	Langfang, Hebei Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Shangrao Bioland	Shangrao, Jiangxi Province, PRC	Shangrao, Jiangxi Province, PRC	Kitchen waste disposal	25,000,000.00	-	100.00	Business combinations not under common control
Huangshi Bioland	Huangshi, Hubei Province, PRC	Huangshi, Hubei Province, PRC	Kitchen waste disposal	24,274,980.00	-	70.00	Business combinations not under common control
Pingyu Beier Environmental Technology Co., Ltd.	Zhumadian, Henan Province, PRC	Zhumadian, Henan Province, PRC	Kitchen waste disposal	500,000.00	-	100.00	Business combinations not under common control
Handan Bioland	Handan, Hebei Province, PRC	Handan, Hebei Province, PRC	Kitchen waste disposal	50,000,000.00	-	90.00	Business combinations not under common control
Guilin Bioland	Guilin, Guangxi Zhuang Autonomous Region, PRC	Guilin, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	54,600,000.00	-	100.00	Business combinations not under common control
Xinyu Bioland	Xinyu, Jiangxi Province, PRC	Xinyu, Jiangxi Province, PRC	Kitchen waste disposal	23,940,000.00	-	100.00	Business combinations not under common control
Zhuji Bioland	Zhuji, Zhejiang Province, PRC	Zhuji, Zhejiang Province, PRC	Kitchen waste disposal	100,000,000.00	-	90.00	Business combinations not under common control
Fuzhou Bioland	Fuzhou, Jiangxi Province, PRC	Fuzhou, Jiangxi Province, PRC	Kitchen waste disposal	24,000,000.00	-	100.00	Business combinations not under common control
Nanjing Shenlu Environmental Technology Co., Ltd.	Nanjing, Jiangsu Province, PRC	Nanjing, Jiangsu Province, PRC	Environment and facility services	100,000,000.00	-	100.00	Business combinations not under common control
Sichuan Lansheng	Zigong, Sichuan Province, PRC	Zigong, Sichuan Province, PRC	Kitchen waste disposal	45,039,000.00	-	84.57	Business combinations not under common control
Shenzhen Shengao Lande Engineering Co., Ltd. (formerly known as "Jiangsu Bioland Construction Engineering Co., Ltd.")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environment and facility services	10,000,000.00	-	100.00	Business combinations not under common control
Logistics Finance Company	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD 1.00	-	100.00	Business combinations under common control
Financial Leasing Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Financial leasing and commercial factoring	902,500,000.00	72.30	27.70	Business combinations under common control
Shenzhen High Speed Engineering Development Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road construction	40,500,000.00	-	60.00	Business combinations not under common control
New Energy Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Wind power	2,619,441,000.00	100.00	-	Incorporation
Inner Mongolia Chenghuan Bioland	Hohhot, Inner Mongolia Autonomous Region, PRC	Hohhot, Inner Mongolia Autonomous Region, PRC	Environment and facility services	43,360,000.00	-	51.00	Incorporation
Bioland Environmental Protection Technology	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental and ecological monitoring, agricultural science research	10,000,000.00	-	100.00	Incorporation
Shenzhen Expressway Gao Le Health Care Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Health, elderly care and nursing services	30,000,000.00	-	100.00	Incorporation

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VII. INTERESTS IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

**(1) Composition of the Group: - continued**

Name of subsidiary	Place of major business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Shenzhen Expressway Construction Technology Development Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Construction and Engineering	40,000,000.00	-	51.00	Incorporation
Guangdong New Energy	Liannan Yao Autonomous County, Guangdong Province, PRC	Liannan Yao Autonomous County, Guangdong Province, PRC	Investment holding	1,956,550,000.00	-	100.00	Incorporation
Qiantai Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Comprehensive utilization of resources	307,692,300.00	-	63.33	Business combinations not under common control
Shenzhen Longda Expressway Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	50,000,000.00	89.93	-	Business combinations under common control
Qianxin Company	Mulei County, Changji Prefecture, Xinjiang, PRC	Mulei County, Changji Prefecture, Xinjiang, PRC	Wind power	181,120,000.00	-	100.00	Business combinations not under common control
Qianzhi Company	Mulei County, Changji Prefecture, Xinjiang, PRC	Mulei County, Changji Prefecture, Xinjiang, PRC	Wind power	479,183,100.00	-	100.00	Business combinations not under common control
Qianhui Company	Mulei County, Changji Prefecture, Xinjiang, PRC	Mulei County, Changji Prefecture, Xinjiang, PRC	Wind power	264,376,900.00	-	100.00	Business combinations not under common control
Shenzhen Guangming Shenzhen Expressway Environment Technology Co., Ltd. ("Guangming Environment Technology")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Kitchen waste disposal	200,000,000.00	100.00	-	Incorporation
Shenzhen High Speed Asphalt Technology Development Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Asphalt materials	30,000,000.00	-	55.00	Incorporation
Beihai Zhonglan	Beihai, Guangxi Autonomous Region, PRC	Beihai, Guangxi Autonomous Region, PRC	Kitchen waste disposal	16,390,000.00	-	90.00	Incorporation
Yongcheng Zhuneng	Yongcheng, Shangqiu, Henan Province, PRC	Yongcheng, Shangqiu, Henan Province, PRC	Wind power	102,450,000.00	-	100.00	Business combinations not under common control
Shenzhen Zhuneng New Energy Technology Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Investment holding	100,000.00	-	100.00	Incorporation
Shanghai Zhuneng	Shanghai, PRC	Shanghai, PRC	Investment holding	2,450,000.00	-	100.00	Business combinations not under common control
Ningxia Zhongwei	Zhongwei, Ningxia Hui Autonomous Region, PRC	Zhongwei, Ningxia Hui Autonomous Region, PRC	Wind power	175,920,236.88	-	100.00	Business combinations not under common control
Harbin Nengchuang Fenglian New Energy Co., Ltd.	Harbin, Heilongjiang Province, PRC	Harbin, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation
Chuzhou Bioland	Chuzhou, Anhui Province, PRC	Chuzhou, Anhui Province, PRC	Kitchen waste disposal	25,492,400.00	-	89.10	Incorporation
Shenzhen Expressway Business Co., Ltd. ("Shenzhen Expressway Business")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Business services	8,000,000.00	100.00	-	Incorporation
Shengao Lekang	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Health, elderly care and nursing services	15,000,000.00	-	80.00	Incorporation
SIHICH	Shenzhen, Guangdong Province, PRC	British Virgin Islands	Investment holding	USD 50,000.00	-	100.00	Business combinations under common control
Bay Area Development	Hong Kong, PRC	Cayman Islands	Investment holding	HKD 1,000,000,000.00	-	71.83	Business combinations under common control
Wilberforce	Hong Kong, PRC	British Virgin Islands	Investment holding	USD 1.00	-	100.00	Business combinations under common control
Jiehao	Hong Kong, PRC	British Virgin Islands	Investment holding	USD 1.00	-	100.00	Business combinations under common control
Bay Area Management	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD 1.00	-	100.00	Business combinations under common control
Bay Area Service	Hong Kong, PRC	Hong Kong, PRC	Office service	HKD 2.00	-	100.00	Business combinations under common control

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VII. INTERESTS IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

**(1) Composition of the Group - continued**

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Bay Area Financing	Hong Kong, PRC	Hong Kong, PRC	Loan financing	HKD 1.00	-	100.00	Business combinations under common control
Hopewell Guangzhou-Zhuhai Expressway	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD 2.00	-	100.00	Business combinations under common control
Guanjia	Hong Kong, PRC	British Virgin Islands	Investment holding	USD 1.00	-	97.50	Business combinations under common control
Hopewell China Development	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD 2.00	-	100.00	Business combinations under common control
Shenzhen Bay Infrastructure	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Investment holding	4,498,000,000.00	-	100.00	Business combinations under common control
Expressway Digital Technology	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Information technology service	30,000,000.00	51.00	-	Incorporation
Lisai Environmental Protection	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental technology service	17,441,900.00	-	70.00	Business combinations not under common control
Shaoyang Shengao Environmental Technology Co., Ltd.	Shaoyang, Hunan Province, PRC	Shaoyang, Hunan Province, PRC	Kitchen waste disposal	100,000,000.00	-	100.00	Incorporation
Guangdong Qizhen Toll Road Construction Co., Ltd.	Foshan, Guangdong Province, PRC	Foshan, Guangdong Province, PRC	Toll road construction	100,000,000.00	-	100.00	Acquisition
Shenzhen Jingmao Infrastructure Operation and Maintenance Co., Ltd.	Guangzhou, Guangdong Province, PRC	Guangzhou, Guangdong Province, PRC	Construction and Engineering	10,000,000.00	-	100.00	Acquisition
Guizhou Ziyun (Note 3)	Anshun, Guizhou Province, PRC	Anshun, Guizhou Province, PRC	Production and supply of electricity and heat	50,000,000.00	-	100.00	Incorporation
Xingren Yuansheng (Note 3)	Xingren, Guizhou Province, PRC	Xingren, Guizhou Province, PRC	Production and supply of electricity and heat	2,000,000.00	-	100.00	Incorporation
Duyun Jinxin (Note 3)	Duyun, Guizhou Province, PRC	Duyun, Guizhou Province, PRC	Production and supply of electricity and heat	1,000,000.00	-	100.00	Incorporation
Shenzhen Bay City Investment (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Real estate	1,300,000,000.00	-	100.00	Incorporation
Jinshen New Energy (Note 3)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Production and supply of electricity and heat	1,000,000,000.00	-	65.00	Incorporation
Expressway Shengneng Technology (Note 3)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Manufacturing of electrical machinery and equipment	15,000,000.00	-	100.00	Incorporation
Jishen New Energy Technology (Note 3)	Shijiazhuang, Hebei Province, PRC	Shijiazhuang, Hebei Province, PRC	Science and technology promotion and application services	110,000,000.00	-	100.00	Incorporation
Yichang Expressway Operation & Management (Note 3)	Changde, Hunan Province, PRC	Changde, Hunan Province, PRC	Toll road operation	5,000,000.00	100.00	-	Incorporation
Ya'an Shenlan Environmental Protection Technology (Note 3)	Ya'an, Sichuan Province, PRC	Ya'an, Sichuan Province, PRC	Ecological protection and environmental governance	25,000,000.00	-	100.00	Incorporation
Zhangshu Gaochuan (Note 4)	Zhangshu, Jiangxi Province, PRC	Zhangshu, Jiangxi Province, PRC	Wind power	1,000,000.00	-	100.00	Business combinations not under common control

Note 1: The Board of Directors of Qinglong Company is composed of 7 directors, and the Group is entitled to nominate 5 directors and the voting on business matters made by the Board of Directors is effective only after it is approved by more than half of all directors. The Group substantially controls Qinglong Company.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VII. INTERESTS IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

(1) Composition of the Group - continued

Note 2: Environment Company, a subsidiary of the Company and the parent company of Nanjing Wind Power, entered into an *Agreement* with certain minority shareholders of Nanjing Wind Power, under which such minority shareholders transferred 47.04% of the equity interest in Nanjing Wind Power to Environment Company for free as a compensation for failure to satisfy the commitment to valuation adjustment mechanism. The above transaction was completed in November 2023, and the Group's shareholding in Nanjing Wind Power was changed from 51.00% to 98.04%.

Note 3: Newly established subsidiary in the current year.

Note 4: New subsidiaries established through business combinations not involving entities under common control.

(2) Significant non-wholly-owned subsidiaries

**31 December 2023**

RMB

Name of subsidiary	Equity interest held by minority shareholders	Profit or loss attributable to minority shareholders	Dividend declared to minority shareholders	Balance of minority interests at the end of the year
Qinglian Company	23.63%	13,219,219.25	-	737,390,565.70
Shenchang Company	49.00%	64,112,160.97	(58,800,000.00)	169,486,339.33
Qinglong Company	50.00%	29,429,932.36	(120,000,000.00)	431,437,163.00
Bioland Company	7.71%	(10,002,227.39)	-	177,867,747.75
Bay Area Development	28.17%	43,900,953.11	(84,018,673.48)	3,392,674,671.37
Nanjing Wind Power				
<b>Total</b>		<b>45,086,820.88</b>	<b>(262,818,673.48)</b>	<b>4,911,317,664.25</b>

**31 December 2022**

RMB

Name of subsidiary	Equity interest held by minority shareholders	Profit or loss attributable to minority shareholders	Dividend declared to minority shareholders	Balance of minority interests at the end of the year
Qinglian Company	23.63%	16,433,154.69	-	743,177,039.93
Shenchang Company	49.00%	54,980,153.12	(58,800,000.00)	164,175,243.39
Qinglong Company	50.00%	20,611,140.69	(118,500,000.00)	522,007,230.64
Bioland Company	7.71%	(27,220,904.21)	-	187,870,136.19
Bay Area Development	28.17%	(13,555,133.44)	(146,501,637.62)	3,444,740,115.49
Nanjing Wind Power				
<b>Total</b>		<b>(73,878,129.20)</b>	<b>(323,801,637.62)</b>	<b>5,284,536,989.96</b>

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VII. INTERESTS IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

**(3) Major financial information of significant non-wholly-owned subsidiaries**

**RMB**

Name of subsidiary	31 December 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	138,386,950.72	5,619,516,244.92	5,757,903,195.64	319,251,272.71	2,361,392,088.93	2,680,643,361.64
Shenchang Company	21,270,794.11	434,663,902.37	455,934,696.48	110,221,146.87	-	110,221,146.87
Qinglong Company	253,942,904.75	1,169,757,423.32	1,423,700,328.07	189,348,799.17	371,477,202.88	560,826,002.05
Bay Area Development	1,285,079,694.83	15,309,911,442.91	16,594,991,137.74	2,336,495,801.28	2,386,635,945.94	4,723,131,747.22
Bioland Company	647,206,245.11	3,608,707,313.39	4,255,913,558.50	895,289,843.73	929,829,083.98	1,825,118,927.71
Nanjing Wind Power	911,225,840.74	253,586,193.86	1,164,812,034.60	847,125,884.03	194,692,783.14	1,041,818,667.17

**RMB**

Name of subsidiary	31 December 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	316,214,333.80	5,767,140,106.37	6,083,354,440.17	404,412,366.19	2,866,815,323.53	3,271,227,689.72
Shenchang Company	55,212,732.32	486,990,462.33	542,203,194.65	207,328,614.09	2.24	207,328,616.33
Qinglong Company	321,554,980.06	1,435,773,582.00	1,757,328,562.06	177,340,250.44	516,958,274.37	694,298,524.81
Bay Area Development	1,474,026,116.23	15,193,330,089.71	16,667,356,205.94	1,875,443,439.44	2,958,816,361.24	4,834,259,800.68
Bioland Company	568,720,275.60	3,627,375,092.33	4,196,095,367.93	890,326,839.31	746,780,793.08	1,637,107,632.39
Nanjing Wind Power	1,686,933,253.73	76,513,085.98	1,763,446,339.71	1,301,421,120.62	7,806,393.95	1,309,227,514.57

**RMB**

Name of subsidiary	2023			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	683,198,476.78	55,942,527.49	55,942,527.49	483,552,638.67
Shenchang Company	270,475,646.17	130,841,144.84	130,841,144.84	185,309,633.42
Qinglong Company	640,174,850.97	58,859,864.72	58,859,864.72	433,073,340.69
Bay Area Development	953,328,084.38	293,227,115.25	251,084,715.41	467,865,776.15
Bioland Company	630,531,990.61	(121,127,439.66)	(121,127,439.66)	21,527,834.39
Nanjing Wind Power (Note)	13,191,556.25	(328,648,564.71)	(328,648,564.71)	138,141,803.60

Note: Net loss of Nanjing Wind Power for the year included the amortization of premium for the year amounting to RMB 6,878,557.43 and the estimated interest expenses on borrowings from the Company amounting to RMB 24,522,187.89.

**RMB**

Name of subsidiary	2022			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	618,871,922.00	69,543,608.49	69,543,608.49	432,957,896.79
Shenchang Company	242,006,141.11	112,204,394.13	112,204,394.13	186,970,523.07
Qinglong Company	575,526,913.30	41,222,281.38	41,222,281.38	396,189,796.59
Bay Area Development	791,940,852.38	(767,953.56)	(187,941,669.83)	206,944,143.24
Bioland Company	666,388,290.82	(158,681,673.88)	(158,681,673.88)	30,894,024.09
Nanjing Wind Power	136,680,167.77	(255,360,285.81)	(255,360,285.81)	(98,205,333.99)

# SHENZHEN EXPRESSWAY CORPORATION LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### VII. INTERESTS IN OTHER ENTITIES - continued

#### 1. Interests in subsidiaries - continued

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2023, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group.

#### 2. Transaction which gives rise to changes in ownership interests in subsidiaries while the subsidiaries are still held by the Group

(1) Descriptions on changes in ownership interests in subsidiaries

Please refer to Note VII, 1(1).

(2) Effect of the transaction on minority interests and equity attributable to owners of the Company

	Nanjing Wind Power
Acquisition cost / Disposal consideration	
--Cash	-
--Fair value of non-cash assets	98,483,094.72
Total acquisition cost / disposal consideration	98,483,094.72
Less: Share of net assets of subsidiaries calculated based on the proportion of equity acquired	121,955,936.79
Difference	(23,472,842.07)
Including: Adjustment to capital reserve	23,472,842.07

#### 3. Interests in associates and joint ventures

(1) Significant associates and joint ventures

Name	Place of main business	Place of registration	Nature of business	Equity interest (%)		Method of accounting treatment
				Direct	Indirect	
Derun Environment	Chongqing, China	Chongqing, China	Environmental governance and resource recovery	-	20.00	Equity method
Guangzhou-Shenzhen-Zhuhai Expressway	Guangdong Province	Guangzhou, Guangdong Province	Toll road operation	-	45.00	Equity method
Guangzhou-Zhuhai West Line Expressway	Guangdong Province	Guangzhou, Guangdong Province	Toll road operation	-	50.00	Equity method
United Land Company	Guangdong Province	Guangzhou, Guangdong Province	Real estate development	34.30	-	Equity method

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

VII. INTERESTS IN OTHER ENTITIES - continued

3. Interests in associates and joint ventures - continued

(2) Major financial information of significant associates and joint ventures

RMB

Item	31 December 2023 / 2023				31 December 2022 / 2022		
	Derun Environment (Note)	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhou-Zhuhai West Line Expressway	United Land Company	Derun Environment (Note)	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhou-Zhuhai West Line Expressway
Current assets	14,043,801,415.95	1,272,156,375.42	489,478,896.41	7,454,904,093.07	13,204,827,688.03	1,354,142,769.27	341,236,098.44
Including: Cash and cash equivalents	6,279,078,823.65	776,264,696.16	457,809,780.60	184,863,951.76	5,475,233,286.95	819,822,357.74	315,693,971.48
Non-current assets	51,406,022,296.12	14,348,059,774.01	11,274,866,099.67	295,906,325.38	48,877,057,882.57	15,071,995,678.91	11,826,991,388.23
Total assets	65,449,823,712.07	15,620,216,149.43	11,764,344,996.08	7,750,810,418.45	62,081,885,570.60	16,426,138,448.18	12,168,227,486.67
Current liabilities	12,699,222,538.16	1,579,391,632.65	953,295,683.23	5,615,128,028.80	11,845,158,841.55	1,805,379,239.48	1,085,049,761.81
Non-current liabilities	19,308,590,551.06	2,492,153,431.23	3,763,325,563.91	-	17,386,387,854.36	3,261,913,206.37	4,024,287,034.12
Total liabilities	32,007,813,089.22	4,071,545,063.88	4,716,621,247.14	5,615,128,028.80	29,231,546,695.91	5,067,292,445.85	5,109,336,795.93
Minority interests	15,365,656,834.29	-	-	-	14,859,102,036.79	-	-
Equity attributable to shareholders of the Company	18,076,353,788.56	11,548,671,085.55	7,047,723,748.94	2,135,682,389.65	17,991,236,837.90	11,358,846,002.33	7,058,890,690.74
Share of net assets calculated according to shareholding ratio	3,615,270,757.71	5,196,901,988.50	3,523,861,874.47	732,539,059.65	3,598,247,367.58	5,111,480,701.05	3,529,445,345.37
Adjustments	1,462,953,999.22	(62,323,729.96)	-	(54,882,407.98)	1,462,953,999.22	(64,903,847.33)	-
- Goodwill	1,462,953,999.22	-	-	-	1,462,953,999.22	-	-
- Unrealized profits from internal transactions	-	(63,311,229.94)	-	(54,882,407.98)	-	(65,891,347.31)	-
- Others	-	987,499.98	-	-	-	987,499.98	-
Carrying amount of equity investment in associates and joint ventures	5,078,224,756.93	5,134,578,258.54	3,523,861,874.47	677,656,651.67	5,061,201,366.80	5,046,576,853.72	3,529,445,345.37
Fair value of equity investment in associates and joint ventures with publicly quoted prices	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Operating income	13,515,672,679.62	2,892,202,770.25	1,303,868,084.44	6,572,072,557.51	14,028,621,278.55	2,279,607,241.51	1,073,960,280.73
Income tax expenses	365,712,676.72	459,001,374.34	94,301,802.52	604,465,440.39	529,499,615.04	255,591,767.09	67,670,037.44
Net profit	893,787,963.60	435,558,677.38	212,477,344.13	1,821,206,411.25	1,280,163,290.90	(93,584,534.29)	150,334,094.02
Net profit from discontinued operations	-	-	-	-	-	-	-
Other comprehensive income	50,894,843.05	-	-	-	(35,313,595.90)	-	-
Total comprehensive income	944,682,806.65	435,558,677.38	212,477,344.13	1,821,206,411.25	1,244,849,695.00	(93,584,534.29)	150,334,094.02
Dividends received from associates and joint ventures in the current year	168,000,000.00	289,376,782.72	111,822,142.97	-	148,000,000.00	450,302,799.30	173,641,362.52

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VII. INTERESTS IN OTHER ENTITIES - continued**

**3. Interests in associates and joint ventures - continued**

(2) Major financial information of significant associates and joint ventures - continued

Note: The Group shares the net profit of Derun Environment attributable to shareholders of the Company at a 20% shareholding ratio. After deducting the current-year premium amortization of RMB 39,131,417.04, the Group recognized the investment income from Derun Environment of RMB 178,757,592.72. The Group shares, based on the 20% shareholding ratio, other comprehensive income net of tax of Derun Environment attributable to shareholders of the Company amounting to RMB 10,178,968.61, and decreases the capital reserve of the Group by RMB 3,913,171.20 as a result of a decrease in capital reserve of Derun Environment. Please refer to Note V, 13.

(3) Major financial information of insignificant associates and joint ventures

Item	31 December 2023 / 2023	31 December 2022 / 2022
<b>RMB</b>		
Associates and joint ventures:		
Total carrying amount of investments	4,301,500,579.13	4,111,846,382.48
Total of the following items calculated according to the shareholding ratio		
- Net profit	372,096,274.67	293,601,117.49
- Other comprehensive income	18,567,363.70	(16,202,400.00)
- Total comprehensive income	390,663,638.37	277,398,717.49

As at 31 December 2023, there was no substantial restriction on transferring funds between the Group and associates and its joint ventures.

**VIII. GOVERNMENT GRANTS**

1. Government grants recognized at the amount of receivables at the end of the reporting period

Item	RMB
Closing balance of receivables	5,000,000.00

2. Liabilities involving government grants

Item	Opening balance	Amount of new government grants	Amount included in non-operating income	Amount included in other income	Other changes	Closing balance	Related to assets/income
Central subsidy funds for cancellation of the provincial expressway toll station project	30,252,071.17	-	-	7,129,398.11	-	23,122,673.06	Related to assets
Government financial grants for Guizhou Land	508,847.48	-	-	32,486.18	-	476,361.30	Related to assets
Government economic grants for Bioland Company	22,128,255.85	1,070,000.00	-	3,480,486.90	-	19,717,768.95	Related to assets
<b>Total</b>	<b>52,889,174.50</b>	<b>1,070,000.00</b>	<b>-</b>	<b>10,642,371.19</b>	<b>-</b>	<b>43,316,803.31</b>	

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VIII. GOVERNMENT GRANTS - continued**

3. Government grants included in profit or loss

	RMB	
Item	2023	2022
Award for return of Duohua Project	13,603,415.00	-
Central government subsidy for cancellation of provincial expressway toll station project	7,129,398.11	7,129,398.11
VAT refund on collection	8,233,624.93	4,712,005.05
Government financial aid for Bioland Company	3,480,486.90	3,245,878.08
Financial grants for Guizhou Land	32,486.18	1,874,814.54
Others	10,715,278.79	13,760,872.77
<b>Total</b>	<b>43,194,689.91</b>	<b>30,722,968.55</b>

**IX. FINANCIAL INSTRUMENTS AND RISKS**

The Group's major financial instruments include cash at banks and on hand, transactional financial assets, bills receivable, accounts receivable, other receivables, non-current assets due within one year, long-term receivables, other non-current financial assets, short-term borrowings, transactional financial liabilities, bills payable, accounts payable, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payable, long-term payables, etc. At the end of the year, the Group has the following financial instruments. Please refer to Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure the risks are monitored at a certain level.

	RMB	
Item	31 December 2023	31 December 2022
<b>Financial assets</b>		
Measured at fair value through profit or loss		
Transactional financial assets	468,792,208.25	1,112,243,771.54
Other non-current financial assets	895,069,302.26	763,264,630.44
Measured at amortized cost		
Cash at banks and on hand	2,152,367,633.05	3,635,862,158.72
Bills receivable	500,000.00	3,500,000.00
Accounts receivable	967,487,093.08	1,052,263,013.07
Other receivables	602,215,140.81	1,121,628,992.41
Other current assets	204,392,500.00	-
Non-current assets due within one year	264,774,570.13	196,704,222.31
Long-term receivables	2,334,935,756.66	2,152,166,502.48

**IX. FINANCIAL INSTRUMENTS AND RISKS - continued**

RMB

Item	31 December 2023	31 December 2022
<b>Financial liabilities</b>		
Measured at fair value through profit or loss		
Transactional financial liabilities	148,117,309.14	133,009,243.01
Measured at amortized cost		
Short-term borrowings	11,105,625,836.85	9,396,229,275.32
Bills payable	89,735,513.24	228,669,880.66
Accounts payable	2,588,545,523.67	2,812,967,920.77
Other payables	1,059,445,155.50	1,371,768,690.38
Non-current liabilities due within one year	2,392,022,913.00	6,380,323,337.26
Other current liabilities	1,512,594,613.40	2,016,515,923.01
Long-term borrowings	9,567,707,809.79	9,573,248,109.29
Bonds payable	7,159,103,456.71	5,769,517,430.62
Lease liabilities	45,614,131.00	47,738,699.35
Long-term payables	907,277,866.27	1,148,281,363.36

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

**1. Risk management objectives, policies and procedures, and changes during the period**

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

**1.1 Market risk****1.1.1 Currency risk**

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with HKD and USD. Except for the purchases and sales of several subsidiaries of the Group in HKD and USD, other principal operating activities of the Group are denominated and settled in RMB. As at 31 December 2023, the Group's assets or liabilities are all denominated in functional currency, except for the balances of assets or liabilities set out below, which are in currencies other than functional currency.

**IX. FINANCIAL INSTRUMENTS AND RISKS - continued**

**1. Risk management objectives, policies and procedures, and changes during the period**  
- continued

**1.1 Market risk - continued**

1.1.1 Currency risk - continued

Item	31 December 2023	31 December 2022
Cash at banks and on hand	14,393,915.63	47,010,028.71
Other receivables	7,800.50	214,216,939.77
Other payables	2,560,215.27	536,181,490.94
Non-current liabilities due within one year	17,869,061.62	199,082,031.53
Bonds payable	2,116,263,707.56	2,094,738,029.92

RMB

Sensitivity analysis on currency risk

The assumption for the sensitivity analysis on currency risk is that all hedges of net investments in foreign operations and the cash flow hedges are highly effective.

Based on the above assumptions, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Items	Changes in exchange rate	2023		2022	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	10% increase against RMB	(212,613,849.65)	(212,613,849.65)	(210,514,575.55)	(210,514,575.55)
USD	10% decrease against RMB	212,613,849.65	212,613,849.65	210,514,575.55	210,514,575.55
HKD	10% increase against RMB	384,722.82	384,722.82	(46,362,882.84)	(46,362,882.84)
HKD	10% decrease against RMB	(384,722.82)	(384,722.82)	46,362,882.84	46,362,882.84

RMB

1.1.2 Interest rate risk - risk of changes in cash flows

The Group's risk of changes in the cash flow of financial instruments caused by changes in interest rates is mainly related to the Group's floating rate bank borrowings. The Group continues to pay close attention to the impact of interest rate changes on the Group's interest rate risk. The Group's policy is to maintain floating interest rates for these borrowings. Currently, there are no arrangements such as interest rate swaps.

**IX. FINANCIAL INSTRUMENTS AND RISKS - continued**

**1. Risk management objectives, policies and procedures, and changes during the period**  
- continued

**1.1 Market risk - continued**

1.1.2 Interest rate risk - risk of changes in cash flows - continued

*Sensitivity analysis on interest rate risk*

Where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Item	Interest rate changes	2023		2022	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
RMB	100 basis points higher	(146,329,247.80)	(146,329,247.80)	(130,446,486.61)	(130,446,486.61)
RMB	100 basis points lower	146,329,247.80	146,329,247.80	130,446,486.61	130,446,486.61

RMB

**1.2 Credit risk**

As at 31 December 2023, 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 and financial guarantees issued by the Group (without considering the available collateral or other credit enhancements) is arising from cash at banks and on hand, bills receivable, accounts receivable, other receivables, long-term receivables, etc. For financial instruments measured at fair value, the carrying amount reflects their risk exposure, but it is not the maximum risk exposure. The maximum risk exposure will change with changes in the fair value in the future. In addition, the Group's maximum exposure to credit risk includes the amount of financial guarantee contract as disclosed in Note XII, 2 "Contingencies".

In order to reduce credit risk, the Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit checking. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in functional currencies of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

The Group continuously conducts credit assessment on the financial status of customers, and the bad debt loss is maintained within the amount expected by the management.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

**IX. FINANCIAL INSTRUMENTS AND RISKS - continued**

**1. Risk management objectives, policies and procedures, and changes during the period - continued - continued**

**1.3 Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the use of bank loans and ensures compliance with loan agreements.

As at 31 December 2023, the Group has unused bank credit lines totaling RMB 43,739,634,053.60, which can satisfy the Group's debt and capital commitments. The Group can solve the lack of working capital through reasonable financing arrangements.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

	RMB				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term borrowings	11,362,234,861.09	-	-	-	11,362,234,861.09
Bills payable	89,735,513.24	-	-	-	89,735,513.24
Accounts payable	2,588,545,523.67	-	-	-	2,588,545,523.67
Other payables	1,059,445,155.50	-	-	-	1,059,445,155.50
Non-current liabilities due within one year	2,430,800,779.11	-	-	-	2,430,800,779.11
Other current liabilities	1,524,780,821.90	-	-	-	1,524,780,821.90
Long-term borrowings	335,582,530.53	2,423,030,305.56	4,427,581,763.93	3,874,519,582.02	11,060,714,182.04
Bonds payable	207,584,175.00	193,624,175.00	5,965,717,435.42	1,503,975,000.00	7,870,900,785.42
Lease liabilities	15,680,756.96	8,908,499.86	11,391,103.72	15,877,354.29	51,857,714.83
Long-term payables	4,735,754.45	36,471,196.00	885,044,511.39	141,069.42	926,392,531.26
Transactional financial liabilities	148,117,309.14	-	-	-	148,117,309.14
Mortgage guarantee	392,342,062.43	-	-	-	392,342,062.43
<b>Total</b>	<b>20,159,585,243.02</b>	<b>2,662,034,176.42</b>	<b>11,289,734,814.46</b>	<b>5,394,513,005.73</b>	<b>39,505,867,239.63</b>

Given that the Group has stable and abundant operating cash flow and sufficient credit lines, and has made appropriate financing arrangements to meet debt repayment and capital expenditures, the management of the Company believes that the Group does not have significant liquidity risk.

## SHENZHEN EXPRESSWAY CORPORATION LIMITED

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### IX. FINANCIAL INSTRUMENTS AND RISKS - continued

##### 2. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or procedures for managing capital in 2023 and 2022.

The Group monitors capital using an asset-liability ratio, which is total liabilities divided by total assets. The Group's asset-liability ratio as at the balance sheet date is as follows:

Item	RMB	
	31 December 2023	31 December 2022 (Restated)
Total assets	67,507,469,090.77	69,204,698,015.50
Total liabilities	39,508,787,105.65	41,840,560,313.98
Asset-liability ratio	58.53%	60.46%

#### X. DISCLOSURE OF FAIR VALUE

##### 1. Closing balance of fair value of financial assets and liabilities measured at fair value

###### 31 December 2023

	RMB			
	Closing balance of fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Fair value measurement on a recurring basis				
Transactional financial assets	320,372,339.72	-	148,419,868.53	468,792,208.25
Other non-current financial assets	346,519,804.81	-	548,549,497.45	895,069,302.26
Transactional financial liabilities	-	-	148,117,309.14	148,117,309.14
<b>Total</b>	<b>666,892,144.53</b>	<b>-</b>	<b>548,852,056.84</b>	<b>1,215,744,201.37</b>

The fair value of level 3 financial instrument is estimated using the market approach, discounted cash flow method, etc. Unobservable inputs mainly include discount rate, liquidity discount, etc. The Group believes that the fair value estimated based on valuation techniques and its changes are reasonable and it is the most appropriate value at 31 December 2023.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2023, the management of the Company considers that the carrying amounts of financial assets and financial liabilities in the Group's financial statements approximate their fair values.

# SHENZHEN EXPRESSWAY CORPORATION LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

#### 1. General information of the parent company

HKD

Name of parent company	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD 2,000,000,000.00	51.561%	51.561%

The controlling shareholder of the Company is Shenzhen International, and the ultimate controlling party of the Company is Shenzhen SASAC.

#### 2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII, 1.

#### 3. Information about associates and joint ventures

The situation of the associates and joint ventures that have related party transactions with the Group in the current year or have related party transactions with the Group in the previous period is as follows:

Name	Relationship with the Company
Yunji Smart	Associate or joint venture
Huayu Company	Associate or joint venture
Huai'an Zhongheng	Associate or joint venture
Yangmao Company	Associate or joint venture
United Land Company	Associate or joint venture
Nanjing Anvis Transmission Technology Co., Ltd. ("Nanjing Anvis")	Associate or joint venture
Guangzhou-Shenzhen-Zhuhai Expressway	Associate or joint venture
Xintang Joint Venture	Associate or joint venture

#### 4. Information about other related parties

Name	Relationship with the Company
Shenzhen Investment Holdings International	Wholly-owned subsidiary of the ultimate controlling party
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Co., Ltd. ("Shenzhen International Hong Kong")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Modern Logistics Petty Loan Co. Ltd. ("Shenzhen International Modern Logistics Petty Loan")	Wholly-owned subsidiary of the controlling shareholder
Henan Yudong Shenan Port Co., Ltd. ("Henan Yudong")	Holding subsidiary of the controlling shareholder
Hunan Guangyuan Culture Media Co., Ltd. ("Hunan Guangyuan")	Holding company of a subsidiary's minority shareholder
Xin Tong Chan Company	Participating shareholder
United Electronic	Participating company
Water Planning & Design Institute	Participating company

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

**XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

- continued

**5. Related party transactions**

- (1) Related transactions for procurement and sale of goods, rendering and receipt of labor services

Procurement of goods / receipt of labor services

		RMB	
Name of related party	Content of transaction	2023	2022
United Land Company	Purchase of house property	353,672,990.00	-
United Electronic (Note 1)	Receiving network tolling settlement services	26,625,559.04	24,461,493.15
Yunji Smart (Note 2)	Receiving engineering survey, design and consulting services	31,501,268.60	37,155,705.16
Water Planning & Design Institute (Note 3)	Receiving technical services regarding flood control for projects and water-related impact	2,287,500.00	2,053,500.00
Guangzhou-Shenzhen-Zhuhai Expressway (Note 4)	Receiving corporate management services and brokerage services	10,502,151.50	-
Others (Note 5)	Receiving power supply services and others	2,994,457.84	125,604.14
<b>Total</b>		<b>427,583,926.98</b>	<b>63,796,302.45</b>

Note 1: The Guangdong Provincial People's Government has designated United Electronic to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. The Company and its subsidiaries have entered into a series of agreements with United Electronic and entrusted it to provide toll settlement services for Coastal Expressway, Meiguan Expressway, Airport-Heao Expressway, Qinglian Expressway, Outer Ring Expressway, Longda Expressway and Shuiguan Expressway invested by the Group. The service periods end on the expiry dates of toll collection periods of each toll road. The related service charges are determined by the commodity price bureau of the Guangdong Province.

Note 2: The Group has entered into service contracts with Yunji Smart to receive engineering survey and design, consulting, highway inspection and special maintenance services for Outer Ring Expressway and other roads of the Group.

Note 3: The Company has entered into a service contract with Water Planning & Design Institute to receive technical consulting services regarding flood control impact assessment and safety assessment on water-related projects of Airport-Heao Expressway reconstruction and expansion project.

Note 4: Bay Area Development, a subsidiary of the Company, received the corporate management services and brokerage services provided by Guangzhou-Shenzhen-Zhuhai Expressway.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

- continued

**5. Related party transactions - continued**

- (1) Related transactions for procurement and sale of goods, rendering and receipt of labor services - continued

Procurement of goods / receipt of labor services - continued

Note 5: High Speed Advertising Company and Qinglong Company, subsidiaries of the Company, received the water and electricity resources and power supply services for its billboards provided by Xin Tong Chan Company and Huayu Company. The respective transaction amounts were not presented separately as they were not material.

Sale of goods / rendering of labor services:

			RMB	
Name of related party	Content of transaction	2023	2022	
Huai'an Zhongheng (Note 1)	Operation and maintenance services	3,549,970.99	7,709,219.81	
Yunji Smart (Note 2)	Engineering supervision fees, water and electricity services	3,606,910.64	146,312.22	
Henan Yudong	Service fee income	-	1,966,260.13	
Others (Note 3)	Commission sale of water and electricity for office and others	531,014.65	988,059.91	
<b>Total</b>		<b>7,687,896.28</b>	<b>10,809,852.07</b>	

Note 1: Nanjing Wind Power, a subsidiary of the Company, entered into an entrusted operation contract with Huai'an Zhongheng, under which it provides entrusted management services for Huai'an Zhongheng's wind power plants.

Note 2: Outer Ring Company, a subsidiary of the Company, provided engineering supervision services and water and electricity resources to Yunji Smart.

Note 3: The Group provided water and electricity services and other services to Xin Tong Chan Company, Huayu Company and United Electronic. The water and electricity service is charged and calculated based on the price paid to the water supply agency and power supply agency. The respective transaction amounts were not presented separately as they were not material.

- (2) Related leases

- (a) The Group as a lessor

			RMB	
Lessee	Type of assets leased	Lease income recognized in the current year	Lease income recognized in the prior year	
Yunji Smart	Office building	-	322,095.25	
Hunan Guangyuan	Billboard	180,000.00	253,539.53	
Henan Yudong	Equipment	2,638,388.09	-	
<b>Total</b>		<b>2,818,388.09</b>	<b>575,634.78</b>	

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

**XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

- continued

**5. Related party transactions - continued**

(2) Related leases - continued

(b) The Group as a lessee

RMB

Lessor	Type of assets leased	Short-term lease expenses or expenses on leases of low-value assets that are accounted for using simplified approach		Rents paid		Interest expenses on lease liabilities assumed		Right-of-use assets acquired	
		For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ended 31 December 2022
Huayu Company	Billboard land use rights			453,869.28	805,326.78	52,863.60	77,279.10	-	2,184,143.10
SC Logistics Company	Lease of premises	44,365.30	52,063.28	-	-	-	-	-	-
Total		44,365.30	52,063.28	453,869.28	805,326.78	52,863.60	77,279.10	-	2,184,143.10

\*(3) Remuneration of key management personnel

RMB

Item	For the year ended 31 December 2023	For the year ended 31 December 2022
Remuneration of key management personnel	12,054,113.36	13,467,593.44

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 19 (2022: 21) key management personnel during the year.

(a) Remuneration of directors and supervisors

The remuneration for each director and supervisor in 2023 is as follows:

RMB

Name	Remuneration	Salary and bonus	Total
Liao Xiangwen	-	1,170,800.00	1,170,800.00
Wang Zengjin	-	1,082,000.00	1,082,000.00
Lin Jitong	-	-	-
Wen Liang	-	-	-
Ye Huihui	-	510,384.00	510,384.00
Dai Jingming	-	-	-
Li Xiaoyan	-	-	-
Lv Dawei	-	-	-
Bai Hua	230,000.00	-	230,000.00
Li Feilong	230,000.00	-	230,000.00
Miao Jun	230,000.00	-	230,000.00
Xu Huaxiang	230,000.00	-	230,000.00
Wang Chao	-	-	-

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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**XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

- continued

**5. Related party transactions - continued**

\*(3) Remuneration of key management personnel - continued

(a) Remuneration of directors and supervisors - continued

The remuneration for each director and supervisor in 2022 is as follows:

Name	Remuneration	Salary and bonus	Total
Hu Wei	-	1,016,583.33	1,016,583.33
Liao Xiangwen	-	1,187,200.00	1,187,200.00
Wang Zengjin	-	1,060,000.00	1,060,000.00
Lin Jitong	-	-	-
Wen Liang	-	-	-
Ye Huihui	-	489,444.00	489,444.00
Dai Jingming	-	-	-
Li Xiaoyan	-	-	-
Lv Dawei	-	-	-
Bai Hua	230,000.00	-	230,000.00
Li Feilong	230,000.00	-	230,000.00
Miao Jun	230,000.00	-	230,000.00
Xu Huaxiang	230,000.00	-	230,000.00
Wang Chao	-	-	-

RMB

The remuneration of the above directors and supervisors has been reflected in the remuneration of key management personnel.

In the current year, the meeting allowances (before tax) payable to directors Liao Xiangwen, Wang Zengjin, Wen Liang, Dai Jingming, Li Xiaoyan, Lv Dawei, Bai Hua, Li Feilong, Miao Jun and Xu Huaxiang, and to supervisors Lin Jitong, Wang Chao and Ye Huihui amounted to RMB 16,000.00, RMB 12,000.00, RMB 11,500.00, RMB 13,000.00, RMB 14,500.00, RMB 10,500.00, RMB 17,500.00, RMB 22,000.00, RMB 22,000.00, RMB 13,500.00, RMB 6,000.00, RMB 7,500.00, and RMB 8,000.00, respectively. Among others, directors Liao Xiangwen, Wang Zengjin, Wen Liang, Dai Jingming and Li Xiaoyan, and supervisors Lin Jitong and Wang Chao have waived their rights to receive the meeting allowances of the year.

In addition, directors Liao Xiangwen, Wang Zengjin and supervisor Ye Huihui also received other benefits and allowances, including employer contributions to the retirement plan and employee medical insurance plan, which amounted to RMB 243,316.32 (2022: RMB 244,504.14), RMB 223,050.72 (2022: RMB 227,453.10), and RMB 160,016.40 (2022: RMB 170,932.52), respectively.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

- continued

**5. Related party transactions - continued**

\*(3) Remuneration of key management personnel - continued

(b) Five highest paid individuals

Two directors (2022: two directors) were included in the top five highest paid individuals of the Group in the current year, the remuneration of whom has been reflected in the table above; and the total amount of remuneration of the other three (2022: three) individuals is listed as follows:

Item	RMB	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Basic salary, bonus, housing allowance, pensions and other subsidies	3,851,063.56	3,789,477.80

Scope of remuneration	RMB	
	Number of individuals in 2023	Number of individuals in 2022
HKD 0 to HKD 1,000,000	-	-
HKD 1,000,001 to HKD 1,500,000	3	3
HKD 1,500,001 to HKD 2,000,000	-	-
HKD 2,000,001 and above	-	-

(4) Borrowings from/to related parties

Borrowings from related parties:

Related party	Amount of borrowings	RMB			
		31 December 2023	Interest rate	Inception date	Due date
United Land Company (Note 1)	824,596,715.85	824,596,715.85	-	29 December 2021	-
Shenzhen Investment Holdings International (Note 2)	-	-	2.85%	27 September 2018	26 September 2023
<b>Total</b>	<b>824,596,715.85</b>	<b>824,596,715.85</b>			

Borrowings to related parties:

Related party	Amount of borrowings	RMB			
		31 December 2023	Interest rate	Inception date	Due date
Xintang Joint Venture (Note 3)	-	-	6.00%	21 January 2021 15 March 2021 10 May 2021	21 January 2023 15 March 2023 10 May 2023

Note 1: As at 31 December 2023, the balance of the Company's interest-free borrowing from United Land Company was RMB 824,596,715.85.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

- continued

**5. Related party transactions - continued**

(4) Borrowings from/to related parties - continued

Note 2: It represents the borrowing of USD 300 million from Shenzhen Investment Holdings International by SIHICH, a subsidiary of the Company, with a term from 27 September 2018 to 26 September 2023 and an interest rate of 2.85% per annum from 1 January 2021. As at 31 December 2023, the principal of the borrowing has been repaid, and the Company has recognized an interest expense of RMB 44,285,750.61 accordingly.

Note 3: It represents the borrowings from Shenzhen Bay Infrastructure, a subsidiary of the Company, to Xintang Joint Venture amounting to RMB 210,000,000.00, which consist of three borrowings with different inception and due dates. The term of the borrowings is one year, and it will be automatically renewed if there is no objection by both parties and, therefore, it has been automatically renewed to 2023. The initial interest rate on the borrowings was 8% per annum and the parties entered into a supplemental agreement on 16 September 2022 to re-agree the interest rate on the borrowings at 6% per annum. As of 31 December 2023, the principal of the borrowings have been repaid by Xintang Joint Venture and the Company has recognized an interest income of RMB 3,818,396.23 accordingly.

**6. Receivables due from and payables due to related parties**

(1) Receivable items

Item	Related parties	31 December 2023		31 December 2022	
		Gross carrying amount	Bad debt provision	Gross carrying amount	Bad debt provision
Accounts receivable	Huai'an Zhongheng	1,096,043.99	-	3,810,276.80	-
Accounts receivable	Huayu Company	94,495.02	-	129,196.40	-
Dividends receivable (Note V, 6.2)	Guangzhou-Shenzhen-Zhuhai Expressway	-	-	181,376,782.72	-
Prepayments	United Electronic	79,608.86	-	39,442.03	-
Prepayments	SC Logistics Company	-	-	24,127.20	-
Prepayments	Nanjing Anvis	-	-	183,671.82	-
Prepayments	Yunji Smart	1,533,345.90	-	1,533,345.90	-
Other receivables (Note V, 6.3)	Huai'an Zhongheng	88,331,191.80	7,066,495.34	88,331,191.80	-
Other receivables (Note V, 6.3)	Xintang Joint Venture	425,000.00	-	210,385,000.00	-
Other receivables (Note V, 6.3)	Guangzhou-Shenzhen-Zhuhai Expressway	188,000.00	-	-	-
Other receivables (Note V, 6.3)	Yunji Smart	84,050.00	-	84,050.00	-
Other receivables (Note V, 6.3)	United Electronic	79,340.08	-	77,078.88	-
Other receivables (Note V, 6.3)	Huayu Company	20,000.00	-	20,000.00	-
Long-term prepayments	United Land Company	-	-	353,672,990.00	-
Long-term receivables	Henan Yudong	77,735,004.96	-	-	-
Other non-current assets	United Land Company	342,599,500.00	-	342,599,500.00	-

RMB

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**XI. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

- continued

**6. Receivables due from and payables due to related parties - continued**

(2) Payable items

		RMB	
Item	Related parties	31 December 2023	31 December 2022
Accounts payable	Yunji Smart	16,423,528.16	19,462,226.60
Accounts payable	United Electronic	321,898.41	243,694.94
Accounts payable	Huayu Company	-	12,000.00
Accounts payable	SC Logistics Company	-	11,500.00
Other payables (Note V, 32.3(1))	Yunji Smart	58,432,627.86	22,773,351.94
Other payables (Note V, 32.3(1))	United Electronic	1,824,949.44	1,612,986.70
Other payables (Note V, 32.3(1))	Xin Tong Chan Company	5,000.00	5,000.00
Other payables (Note V, 32.3(1))	Shenzhen International Hong Kong	-	252,182.14
Other payables (Note V, 32.3(1))	Shenzhen International Petty Loan	-	2,196.12
Other payables (Note V, 32.3(1))	Huayu Company	15,200,000.00	7,200,000.00
Other payables (Note V, 32.3(1))	Yangmao Company	37,500,000.00	30,000,000.00
Long-term payables (Note V, 38.(1))	United Land Company	824,596,715.85	944,646,715.85
Long-term payables due within one year (Note V, 38.(1))	Shenzhen Investment Holdings International	-	2,105,041,763.41

Amounts due from/to related parties above (excluding borrowings from related parties) are non-interest bearing, unsecured and have no fixed repayment terms.

**7. Commitments to related parties**

The following table presents the commitment related to related parties that have been contracted but have not been presented on the balance sheet:

(1) Receiving service

		RMB	
Related party	31 December 2023	31 December 2022	
Yunji Smart	87,124,583.13	8,879,727.94	

**XII. COMMITMENTS AND CONTINGENCIES**

**1. Significant commitments**

In addition to the related party commitments disclosed in Note XI, 7, other significant commitments of the Group are as follows:

(1) Capital commitments

		RMB	
Item	31 December 2023	31 December 2022	
Capital commitments that have been entered into but have not been recognized in the financial statements:			
- Expressway construction projects	2,667,853,887.92	2,630,821,496.96	
- Kitchen waste disposal projects	1,044,303,762.52	1,218,615,510.82	
- Acquisition of equity	6,475,000.00	-	
<b>Total</b>	<b>3,718,632,650.44</b>	<b>3,849,437,007.78</b>	

**XII. COMMITMENTS AND CONTINGENCIES - continued**

**2. Contingencies**

- (1) Significant contingencies at the balance sheet date
  - (a) As at 31 December 2023, the Group's guarantees for the performance of certain projects are in effect, with a total guarantee amount of approximately RMB 132 million.
  - (b) As at 31 December 2023, the Group provided a periodic joint and several liability guarantee amounting to RMB 392 million to the bank for house mortgage loans granted by the bank to the Group's property buyers. Under the terms of guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the bank by the buyers in arrears if the buyers default in the mortgage payments, and the Group can then receive legal ownership of the property. The Group's guarantee period commences on the date on which the relevant mortgage loan is granted by the bank and ends on the date on which the buyer obtains the title deeds of the individual properties. The management believes that if the payment is in arrears, the net realizable value of the property is sufficient to cover the outstanding mortgage loans together with any accrued interest and penalties, and therefore no provision is made for these guarantees.
  - (c) In December 2019, PowerChina Jiangxi Electric Power Construction Co., Ltd. ("PowerChina Jiangxi") entered into a *Contract on Procurement of Wind Turbine Equipment for 50MW Wind Farm Project (Phase I) in Gudian Town, Yungang, Datong* (the "Procurement Contract") with Nanjing Wind Power to purchase equipment for Datong Power Station (Phase I). The specifications of the equipment hereunder was twenty NJ140-2.5MW wind turbines, the unit price of the equipment was fixed at RMB 3,900/KW, and the total price of the contract including tax was RMB 195 million. On 8 October 2023, PowerChina Jiangxi filed a lawsuit to Nanchang Intermediate People's Court for reason that Nanjing Wind Power has breached the contract due to delayed delivery of goods, serious quality issues of the goods supplied, etc., which led to the delay in grid connection for project involved and resulted in huge losses in electricity price, and requested that: (1) Nanjing Wind Power shall be ordered by law to bear all costs incurred by PowerChina Jiangxi for repairing the wind turbine blades purchased by it on its own or by entrusting a third party to do so, or for replacing the relevant wind turbine blades (tentatively amounting to RMB 1,000,000, subject to the appraisal opinion or actual amount incurred); (2) Nanjing Wind Power shall be ordered by law to compensate PowerChina Jiangxi for losses in electricity price of RMB 90,329,400 during the 3-year service cycle as a result of failure in grid connection as scheduled; (3) Nanjing Wind Power shall be ordered by law to compensate PowerChina Jiangxi for losses in electric quantity of RMB 6,714,000 due to the quality issue; (4) Nanjing Wind Power shall be ordered by law to pay liquidated damages of RMB 9,750,000 for the delayed delivery of goods to PowerChina Jiangxi; (5) Nanjing Wind Power shall be ordered by law to compensate PowerChina Jiangxi for losses in deduction of payment of RMB 1,306,600 (tentative); and (6) Nanjing Wind Power shall be ordered by law to bear the legal costs, preservation fees, preservation insurance fees, appraisal fees and notarial fees for the case. As of the date of approval for issue of the financial statements, the case is in the first-instance stage, and the Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated;

**XII. COMMITMENTS AND CONTINGENCIES - continued**

**2. Contingencies - continued**

- (1) Significant contingencies at the balance sheet date - continued
- (d) In January 2019, Guishen Company and Guizhou Land entered into an *Equity and Creditor's Rights Transfer Contract* with Xinhe Lifu to transfer the 100% equity and creditor's rights held by Guishen Company in Guizhou Shengbo Land Co., Ltd. and the 100% equity and creditor's rights held by Guizhou Land in three companies including Guizhou Hengfengxin Real Estate Co., Ltd., Guizhou Henghongda Real Estate Co., Ltd. and Guizhou Hengda Real Estate Co., Ltd. to Xinhe Lifu. In October 2023, Xinhe Lifu filed an arbitration with the Shenzhen Court of International Arbitration, requesting Guizhou Land and Guishen Company to (1) refund the amount of RMB 112,112,000.00 by which the contract price should be decreased as agreed upon in the *Equity and Creditor's Rights Transfer Contract*; (2) pay RMB 112,112,000.00 for losses from capital occupation, which is temporarily calculated at RMB 77,801,053.00 as of 31 July 2023; (3) compensate for losses of RMB 12,200,000.00 in respect of the payment for index on linking the increase and decrease of land use and the corresponding losses from capital occupation amounting to RMB 4,589,369.00 (tentative); (4) compensate for losses from capital occupation in respect of the delay in development of eight pieces of land amounting to RMB 195,829,556.00; (5) compensate for losses from house expropriation, land expropriation and grave relocation totaling RMB 23,972,800.00; (6) compensate for losses from fines for forest land, forest land revegetation expenses, and technical service fees for preparing the feasibility report on forest land totaling RMB 1,721,927.00, and the corresponding losses from capital occupation amounting to RMB 640,302.00 (tentative); (7) compensate for losses on land VAT and enterprise income tax amounting to RMB 23,282,900.00 due to the fact that the land-transferring fee amounting to RMB 43,930,000.00 of Guizhou Hengfengxin Real Estate Co., Ltd. could not be deducted against the corresponding taxes; and (8) refund RMB 20,412,000.00 paid by Xinhe Lifu on 13 May 2019 and the corresponding losses from capital occupation amounting to RMB 13,484,394.00 (tentative). The above requests totaled RMB 486,046,301.00 approximately. As of the date of approval for issue of the financial statements, the case is still under arbitration, and the Board of Directors believes that the outcome of the arbitration and the compensation obligation (if any) cannot be reliably estimated.

**XII. COMMITMENTS AND CONTINGENCIES - continued**

**2. Contingencies - continued**

(1) Significant contingencies at the balance sheet date - continued

- (e) Environment Company, a subsidiary of the Company, entered into the Capital Increase and Share Transfer Agreement Regarding Acquisition of up to 68.1045% Shares of Bioland Company between Shenzhen Expressway Environment Construction Management Co., Ltd., and Zhengzhou Cida Environmental Technology Co., Ltd., Beijing Shuiqi Lande Technology Co., Ltd., Shi Junying, Shi Junhua, and Bioland Company (the “Capital Increase and Equity Transfer Agreement”) with Bioland Company and its 4 shareholders (i.e., Shi Junying, Shi Junhua, Zhengzhou Cida Environmental Technology Co., Ltd., and Beijing Shuiqi Lande Technology Co., Ltd., collectively referred to as “Original Shareholders”) on 8 January 2020, which stipulated equity compensation for valuation adjustment mechanism and other matters. Environment Company obtained 22,640,000 shares held by the Original Shareholders as compensation because Bioland Company failed to achieve the expected performance in 2021. In May 2023, the Original Shareholders submitted an arbitration application to the Shenzhen International Arbitration Court, requesting (1) to change the formula for calculating the performance compensation under the Capital Increase and Equity Transfer Agreement, i.e., to bear the liability of 1% in respect of the performance compensation for 2021 only; (2) Environment Company to return the 22,640,000 shares that had been compensated, or to compensate the Original Shareholders RMB 129,727,200.00 if such shares could not be returned due to transfer or pledge, etc.; (3) Environment Company shall bear the Original Shareholders' attorney fees, notary fees and other expenses for defending their rights; (4) Environment Company shall bear the arbitration costs of this case. As of the date of approval for issue of the financial statements, the case is in arbitration and the Board of Directors considers that the outcome of the arbitration and the compensation obligation, if any, cannot be reliably estimated.

In addition to the above matters, as at 31 December 2023, the amount of the pending litigation and arbitration cases in which the Group is the defendant totaled RMB 127,994,100.00. After consulting the relevant attorney, the Company's Board of Directors believes that the outcome of the aforesaid litigation and arbitration and the compensation obligations, if any, cannot be reliably estimated.

### **XIII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

1. On 22 February 2023, as approved by the Board of Directors, the Company, which is also the originator, launched a pilot declaration of Real Estate Investment Trust ("REITs") in the field of infrastructure with Yichang Expressway owned by a wholly-owned subsidiary of the Company as the infrastructure project, through E Fund Management Co., Ltd. ("E Fund"), the fund manager. On 29 December 2023, E Fund received the *Reply on approving the Registration of the Close-end Infrastructure Securities Investment Funds for Expressways of E Fund - Shenzhen Expressway* (Zheng Jian Xu Ke No. 2927 [2023]) issued by the China Securities Regulatory Commission, which approved the registration of the Publicly-offered Infrastructure REITs with major contents as follows: 1, Allow E Fund to register the close-end infrastructure securities investment funds for expressways of E Fund - Shenzhen Expressway ("E Fund - Shenzhen Expressway REITs"), the fund is in closed-end contract type with a contractual term of 11 years; 2. 300,000,000 shares are allowed to be raised; 3. Agree E Fund to be the Manager of the fund and Industrial and Commercial Bank of China Limited to be the Custodian of the fund; and 4. E Fund shall conduct fund-raising activities within 6 months from the date of issuance of the reply and the fund-raising period shall not exceed 3 months from the date of offering of the fund shares. The offering of E Fund – Shenzhen Expressway REITs was completed on 7 March 2024, with 300,000,000 fund shares ultimately raised at an offering price of RMB 6.825 per share, and the fund raised totaled RMB 2,047.5 million. The fund contract for E Fund - Shenzhen Expressway REITs is effective on 12 March 2024. Furthermore, the Company has entered into an equity transfer agreement and a creditor's right transfer agreement with Changde Yichang Enterprise Operation Management Co., Ltd. and Yichang Company to dispose of the 100% equity interest in Yichang Company and two creditor's rights of approximately RMB 648.5 million. As of the date of approval for issue of the financial statements, the formalities for business registration of the relevant ownership have been completed.
2. On 15 July 2023, as approved at the 32<sup>nd</sup> meeting of the 9<sup>th</sup> Session of Board of Directors of the Company, the Company intends to issue A-shares to specific targets, with the issue scale not exceeding RMB 6.50 billion (inclusive), i.e., no more than 654,231,097 A-shares (inclusive). The net amount raised this time is intended to be used for Shenzhen section project of Shenzhen Outer Ring Expressway and for repaying interest-bearing liabilities. The matters related to the issuance of A-shares to specific targets were deliberated and passed on 20 September 2023 at the shareholders' meeting and separate meeting of classes of shareholders of the Company, and has been approved by the main body responsible for the supervision and management of state-owned assets. On 25 January 2024, as approved at the 40<sup>th</sup> meeting of the 9<sup>th</sup> session of the Company's Board of Directors, the issue size was reduced from not more than RMB 6.5 billion to not more than RMB 4.9 billion. It can only be implemented after being approved by the Shanghai Stock Exchange and approved by the China Securities Regulatory Commission for registration. Before and after the issue this time, the controlling shareholder of the Company is Shenzhen International, and the actual controller is Shenzhen SASAC. This issue will not result in a change in control of the Company.
3. On 22 March 2024, as approved at the 42<sup>nd</sup> meeting of the 9<sup>th</sup> session of the Board of Directors of the Company, a cash dividend of RMB 0.55 (including tax) per share shall be distributed on the basis of the total share capital of the Company as at 31 December 2023, totaling RMB 1,199,423,679.30, with no transfer of capital reserve to equity, and the aforesaid resolution will be submitted to the 2023 annual general meeting of the Company for approval.

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**XIV. OTHER SIGNIFICANT MATTERS**

**1. Segment information**

(1) Basis for determination and accounting policies of reporting segments

According to the Group's internal organizational structure, management requirements and internal reporting system, the Group's operating business is divided into two operating segments. The Group's management regularly evaluates the operating results of these segments to determine the allocation of resources and evaluation of their performance. On the basis of operating segments, the Group has identified two reporting segments, namely the toll road segment and the environmental protection segment. These reporting segments are determined on the basis of their main business. The main products and services provided by each reporting segment of the Group: toll road segment takes charge of operation and management of toll roads in Mainland China; environmental protection segment takes charge of the operation and management of environment-related infrastructure, mainly including solid waste treatment, clean energy and other related fields; and other businesses principally comprise the provision of entrusted management services, advertising services, property development, finance leases, construction services under franchise arrangement and other services. These businesses cannot be separated into reportable segments.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria is consistent with the accounting and measurement criteria in the preparation of the financial statements.

(2) Financial information of reporting segment

2023

RMB

Item	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	5,374,901,239.20	1,618,254,610.60	2,302,148,521.89	-	9,295,304,371.69
Cost of services	2,666,988,877.55	1,255,448,544.17	2,026,946,321.66	-	5,949,383,743.38
Interest income	30,380,622.49	4,238,890.77	10,103,834.11	25,937,620.64	70,660,968.01
Interest expenses	74,388,701.60	200,460,038.11	954,419,149.52	-	1,229,267,889.23
Income from investment in associates and joint ventures	452,741,232.25	172,715,035.83	852,311,475.26	-	1,477,767,743.34
Credit impairment gains (losses)	(3,268,621.44)	(97,487,638.21)	548,588.76	-	(100,207,670.89)
Gains (losses) on impairment of assets	-	(132,231,841.52)	6,000.00	-	(132,225,841.52)
Gains (losses) on disposal of assets	12,424,838.76	350,805.40	455,420.99	423,290.24	13,654,355.39
Depreciation and amortization	1,741,795,402.13	445,453,420.64	96,288,026.00	79,116,361.58	2,362,653,210.35
Total profit (loss)	2,741,097,771.91	(30,458,880.71)	515,881,269.82	(310,886,534.10)	2,915,633,626.92
Income tax expenses	598,865,978.45	(12,642,731.99)	(56,420,658.54)	-	529,802,587.92
Net profit (loss)	2,142,231,793.46	(17,816,148.72)	572,301,928.36	(310,886,534.10)	2,385,831,039.00
Total assets	37,677,227,979.71	19,157,356,220.82	8,670,212,371.40	2,002,672,518.84	67,507,469,090.77
Total liabilities	28,134,704,961.20	8,570,950,108.43	2,532,646,937.46	270,485,098.56	39,508,787,105.65
Long-term equity investments in associates and joint ventures	10,778,024,996.12	5,190,564,268.17	2,747,232,856.45	-	18,715,822,120.74
Amount of non-current assets (exclusive of financial assets, long-term equity investments, and deferred tax assets)	20,144,356,901.01	9,473,070,114.72	7,059,076,016.76	1,661,919,303.17	38,338,422,335.66

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**XIV. OTHER SIGNIFICANT MATTERS - continued**

**1. Segment information - continued**

(2) Financial information of reporting segment - continued

2022

RMB

Item	Toll road (Restated)	Environmental protection (Restated)	Others (Restated)	Unallocated (Restated)	Total (Restated)
Revenue from external customers	4,978,341,345.68	1,757,219,821.16	2,637,021,379.75	-	9,372,582,546.59
Cost of services	2,800,083,416.38	1,288,946,396.95	2,264,566,448.63	-	6,353,596,261.96
Interest income	48,759,052.51	12,562,454.01	2,101,251.88	66,265,304.20	129,688,062.60
Interest expenses	138,413,185.35	228,490,766.59	817,767,294.87	-	1,184,671,246.81
Income from investment in associates and joint ventures	144,534,653.97	249,495,120.52	188,658,007.76	-	582,687,782.25
Credit impairment gains (losses)	-	(68,783,264.62)	(14,440,403.68)	-	(83,223,668.30)
Gains (losses) on impairment of assets	-	(164,102,829.78)	(13,650.98)	-	(164,116,480.76)
Gains (losses) on disposal of assets	(520,096.83)	205,603.98	4,958,051.50	2,653,855.62	7,297,414.27
Depreciation and amortization	1,701,784,016.79	423,100,333.10	84,507,650.86	67,267,580.83	2,276,659,581.58
Total profit (loss)	2,145,165,291.58	205,361,594.84	(222,255,376.03)	356,253,536.73	2,484,525,047.12
Income tax expenses	466,316,457.56	(19,190,067.77)	82,195,116.52	-	529,321,506.31
Net profit (loss)	1,678,848,834.02	224,551,662.61	(304,450,492.55)	356,253,536.73	1,955,203,540.81
Total assets	40,930,346,825.95	19,191,961,186.90	7,350,083,392.16	1,732,306,610.49	69,204,698,015.50
Total liabilities	29,211,110,536.71	8,467,930,251.66	2,547,002,404.73	1,614,517,120.88	41,840,560,313.98
Long-term equity investments in associates and joint ventures	10,629,817,482.11	5,179,583,434.93	1,939,669,031.33	-	17,749,069,948.37
Amount of non-current assets (exclusive of financial assets, long-term equity investments, and deferred tax assets)	17,093,909,109.68	13,250,293,756.77	6,804,590,860.53	1,667,644,298.41	38,816,438,025.39

(3) Other descriptions

The Group's revenue from external customers and the non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reaches or exceeds 10% of the Group's revenue.

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS**

**1. Accounts receivable**

(1) Accounts receivable disclosed by aging

RMB

Aging	31 December 2023	31 December 2022
Within 1 year	69,093,426.74	21,452,987.56
1 to 2 years	-	2,892,760.09
Over 3 years	4,838,866.44	4,838,866.44
<b>Total</b>	<b>73,932,293.18</b>	<b>29,184,614.09</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

1. Accounts receivable - continued

(2) Accounts receivable disclosed by method of bad debt provision

RMB

Category	31 December 2023					31 December 2022				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed on a portfolio basis according to credit risk characteristics										
Portfolio I	51,377,582.42	69.49	-	-	51,377,582.42	7,754,176.53	26.57	-	-	7,754,176.53
Portfolio IV	22,554,710.76	30.51	-	-	22,554,710.76	21,430,437.56	73.43	-	-	21,430,437.56
<b>Total</b>	<b>73,932,293.18</b>	<b>100.00</b>	-	-	<b>73,932,293.18</b>	<b>29,184,614.09</b>	<b>100.00</b>	-	-	<b>29,184,614.09</b>

(3) Top five accounts receivable and contract assets categorized by debtor

RMB

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion to total closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Total of top five accounts receivable and contract assets as at 31 December 2023	42,964,429.92	104,072,424.98	147,036,854.90	79.12	-

2. Other receivables

2.1 Presentation of other receivables

RMB

Item	31 December 2023	31 December 2022
Dividends receivable	703,407,059.90	450,000,000.00
Other receivables	2,621,381,133.37	2,055,378,219.49
<b>Total</b>	<b>3,324,788,193.27</b>	<b>2,505,378,219.49</b>

2.2 Dividends receivable

(1) Dividends receivable

RMB

Investee	31 December 2023	31 December 2022
Mei Wah Company	450,000,000.00	450,000,000.00
Yichang Company	253,407,059.90	-
<b>Total</b>	<b>703,407,059.90</b>	<b>450,000,000.00</b>

(2) Significant dividends receivable aged over 1 year

RMB

Item (or investee)	Closing balance	Aging	Reason for failure in recovery	Impaired or not and the basis for determination
Mei Wah Company	450,000,000.00	Over 3 years	The Group's integrated management of capital	No. They are dividends receivable from wholly-owned subsidiaries, which are recoverable

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**2. Other receivables - continued**

2.3 Other receivables

(1) Other receivables disclosed by aging

RMB

Aging	31 December 2023	31 December 2022
Within 1 year	2,003,720,634.00	910,245,179.59
1 to 2 years	251,393,771.10	698,320,022.95
2 to 3 years	93,741,580.24	441,438,484.92
Over 3 years	272,525,148.03	5,374,532.03
<b>Total</b>	<b>2,621,381,133.37</b>	<b>2,055,378,219.49</b>

(2) Other receivables analyzed by nature

RMB

Nature	31 December 2023	31 December 2022
Borrowings receivable	2,548,110,193.91	1,216,913,631.11
Advances receivable	72,480,388.29	835,851,338.76
Others	790,551.17	2,613,249.62
<b>Total</b>	<b>2,621,381,133.37</b>	<b>2,055,378,219.49</b>

(3) Top five other receivables categorized by debtor

RMB

Name of entity	Nature	Closing balance	Aging	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Total of top five other receivables as at 31 December 2023	Advances receivable, borrowings receivable	1,829,667,548.63	1 to 3 years or more	69.80	-

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Long-term equity investments

RMB

Investee	1 January 2023	Changes in the year							31 December 2023	Closing balance of provision for impairment	
		Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividend or profit declared	Provision for impairment			Others
<b>Associates and joint ventures:</b>											
Nanjing Third Bridge Company	449,038,114.64	-	-	56,101,199.52	-	-	(50,801,306.53)	-	-	454,338,007.63	-
Yangmao Company	831,127,311.40	-	-	38,150,403.30	-	-	(32,501,498.89)	-	-	836,776,215.81	-
GZ W2 Company	321,828,011.03	-	-	55,876,254.74	-	-	(43,327,500.00)	-	-	334,376,765.77	-
United Land Company	23,392,242.61	-	-	624,673,799.06	-	-	-	-	-	648,066,041.67	-
Shengchuang Fund	118,382,068.13	-	-	(6,042,556.89)	-	-	-	-	-	112,339,511.24	-
Others	1,460,253,108.04	-	-	140,953,748.30	13,897,418.80	-	(25,560,000.00)	-	(20,820,044.54)	1,568,724,230.60	-
Sub-total	3,204,020,855.85	-	-	909,712,848.03	13,897,418.80	-	(152,190,305.42)	-	(20,820,044.54)	3,954,620,772.72	-

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Long-term equity investments - continued

RMB

Investee	1 January 2023	Changes in the year								31 December 2023	Closing balance of provision for impairment
		Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividend or profit declared	Provision for impairment	Others		
<b>Investment in subsidiaries:</b>											
Meiguan Company	521,260,142.34	-	-	-	-	-	-	-	-	521,260,142.34	-
Qinglong Company	101,477,197.16	-	-	-	-	-	-	-	-	101,477,197.16	-
Advertising Company	3,325,000.01	-	(3,325,000.01)	-	-	-	-	-	-	-	-
Mei Wah Company	831,769,303.26	-	-	-	-	-	-	-	-	831,769,303.26	-
Qinglian Company	1,385,448,900.00	-	(187,668,005.40)	-	-	-	-	-	-	1,197,780,894.60	-
Outer Ring Company	7,150,000,000.00	-	-	-	-	-	-	-	-	7,150,000,000.00	-
Investment Company	400,000,000.00	400,000,000.00	-	-	-	-	-	-	-	800,000,000.00	-
Environment Company	5,000,000,000.00	-	-	-	-	-	-	-	-	5,000,000,000.00	-
Operation Development Company	30,000,000.00	3,325,000.01	-	-	-	-	-	-	-	33,325,000.01	-
Shenchang Company	33,280,762.94	-	-	-	-	-	-	-	-	33,280,762.94	-
Yichang Company	1,270,000,000.00	-	-	-	-	-	-	-	-	1,270,000,000.00	-
Construction Development Company	30,000,000.00	-	-	-	-	-	-	-	-	30,000,000.00	-
Infrastructure Environment Protection Development Company	255,000,000.00	-	-	-	-	-	-	-	-	255,000,000.00	-
Coastal Company	1,787,939,407.88	-	-	-	-	-	-	-	-	1,787,939,407.88	-
Fund Company	10,000,000.00	-	-	-	-	-	-	-	-	10,000,000.00	-
Baotou Nanfeng	1,280,900.27	-	-	-	-	-	-	-	-	1,280,900.27	-
Financial Leasing Company	678,193,419.87	-	-	-	-	-	-	-	-	678,193,419.87	-
New Energy Company	2,161,250,000.00	-	-	-	-	-	-	-	-	2,161,250,000.00	-
Guangming Environmental Technology	200,000,000.00	-	-	-	-	-	-	-	-	200,000,000.00	-
Longda Company	103,816,567.61	-	-	-	-	-	-	-	-	103,816,567.61	-
Shenzhen Expressway Business	4,000,000.00	-	-	-	-	-	-	-	-	4,000,000.00	-
Expressway Digital Technology	2,550,000.00	-	-	-	-	-	-	-	-	2,550,000.00	-
<b>Sub-total</b>	<b>21,960,591,601.34</b>	<b>403,325,000.01</b>	<b>(190,993,005.41)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,172,923,595.94</b>	<b>-</b>
<b>Total</b>	<b>25,164,612,457.19</b>	<b>403,325,000.01</b>	<b>(190,993,005.41)</b>	<b>909,712,848.03</b>	<b>13,897,418.80</b>	<b>-</b>	<b>(152,190,305.42)</b>	<b>-</b>	<b>(20,820,044.54)</b>	<b>26,127,544,368.66</b>	<b>-</b>

Note: The detailed information about investment in associates and joint ventures is set out in Note V, 13.

SHENZHEN EXPRESSWAY CORPORATION LIMITED

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**4. Operating income and cost of services**

RMB

Item	2023		2022	
	Income	Cost	Income	Cost
Main businesses	1,226,069,369.37	408,336,676.11	1,101,215,623.65	414,745,120.53
Other businesses	545,602,180.89	484,377,997.04	543,221,896.00	535,957,438.55
<b>Total</b>	<b>1,771,671,550.26</b>	<b>892,714,673.15</b>	<b>1,644,437,519.65</b>	<b>950,702,559.08</b>

**5. Investment income**

RMB

Item	2023	2022
Income from long-term equity investments under the cost method	1,846,116,593.31	344,511,398.10
Income from long-term equity investments under the equity method	909,712,848.03	260,825,307.11
Investment income from other non-current financial assets	9,534,362.82	18,122,334.03
Investment income from disposal of equity	-	921,200,000.00
Others	7,767,123.31	-
<b>Total</b>	<b>2,773,130,927.47</b>	<b>1,544,659,039.24</b>

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**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

**SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**1. Breakdown of non-recurring profit or loss for the current period**

RMB

Item	Amount
Profit or loss on disposal of non-current assets, including those charged off for which provision for impairment of assets has been made	13,990,976.35
Government grants recognized in profit or loss (other than government grants which are closely related to the Company's business, in line with the national regulations, enjoyed under established standards and have a continuous impact on the Company's profit or loss)	24,318,693.79
Income earned from lending funds to non-financial institutions and recognized in profit or loss	3,818,394.57
Profit or loss on changes in the fair value of financial assets and financial liabilities held by non-financial enterprises and profit or loss on disposal of financial assets and financial liabilities, other than those used in the effective hedging activities relating to normal operating business	153,607,037.26
Other non-operating income or expenses other than the above	(97,127,523.44)
Less: Tax effects	45,477,192.83
Effects attributable to minority interests	(33,966,784.03)
<b>Total</b>	<b>87,097,169.73</b>

Basis for preparation of the breakdown of non-recurring profit or loss

According to *Explanatory Announcement on Information Disclosure by Companies Making Public Offering of Securities No. 1 - Non-Recurring Profit or Loss (Revised in 2023)* issued by China Securities Regulatory Commission, non-recurring profit or loss arises from transactions or events that are not directly related to the normal business operations, or transactions or events that are related to normal business operations, but are so extraordinary that would have an impact on users of the financial statements when making proper judgments on the performance and profitability of the Company.

**2. Return on net assets and earnings per share**

The return on net assets and earnings per share have been prepared by Shenzhen Expressway Corporation Limited in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share* (revised in 2010) issued by China Securities Regulatory Commission.

RMB

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	11.99	0.982	0.982
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	11.53	0.942	0.942

SHENZHEN EXPRESSWAY CORPORATION LIMITED

SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. Supplementary information relating to the retrospective application of accounting policies/retrospective restatement/reclassification of items in the financial statements

RMB

Item	31 December 2023	31 December 2022	1 January 2022
<b>Current assets:</b>			
Cash at banks and on hand	2,152,367,633.05	3,635,862,158.72	5,948,688,887.14
Transactional financial assets	468,792,208.25	1,112,243,771.54	564,018,179.30
Bills receivable	500,000.00	3,500,000.00	87,388,115.83
Accounts receivable	967,487,093.08	1,052,263,013.07	993,613,902.45
Prepayments	248,083,582.06	225,509,293.25	191,350,700.74
Other receivables	602,215,140.81	1,121,628,992.41	981,250,269.52
Including: Interest receivable	-	-	-
Dividends receivable	-	181,376,782.72	-
Inventories	1,355,564,013.49	1,314,262,956.81	1,338,820,859.08
Contract assets	394,910,901.30	377,341,353.82	395,182,028.57
Non-current assets due within one year	264,774,570.13	196,704,222.31	235,808,874.20
Other current assets	497,079,323.91	257,805,744.15	546,140,489.67
<b>Total current assets</b>	<b>6,951,774,466.08</b>	<b>9,297,121,506.08</b>	<b>11,282,262,306.50</b>
<b>Non-current assets:</b>			
Long-term prepayments	356,732,998.46	996,880,056.74	1,792,084,894.91
Long-term receivables	2,334,935,756.66	2,152,166,502.48	1,116,297,854.71
Long-term equity investments	18,715,822,120.74	17,749,069,948.37	19,108,413,241.29
Other non-current financial assets	895,069,302.26	763,264,630.44	738,846,474.26
Investment properties	23,033,992.33	26,068,821.95	38,850,893.38
Fixed assets	7,328,858,518.97	7,209,500,786.33	5,709,992,223.45
Construction in progress	289,690,234.44	225,703,626.92	1,779,732,996.87
Right-of-use assets	66,201,181.97	75,412,073.15	366,721,652.00
Intangible assets	26,809,094,107.69	26,847,604,300.36	27,091,053,905.41
Development expenditures	6,261,136.18	5,500,636.18	25,767,094.71
Goodwill	202,893,131.20	202,893,131.20	248,932,906.44
Long-term prepaid expenses	39,044,962.13	53,624,450.56	53,969,025.42
Deferred tax assets	271,445,109.37	426,637,402.74	452,112,687.30
Other non-current assets	3,216,612,072.29	3,173,250,142.00	2,500,778,712.94
<b>Total non-current assets</b>	<b>60,555,694,624.69</b>	<b>59,907,576,509.42</b>	<b>61,023,554,563.09</b>
<b>Total assets</b>	<b>67,507,469,090.77</b>	<b>69,204,698,015.50</b>	<b>72,305,816,869.59</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. **Supplementary information relating to the retrospective application of accounting policies/retrospective restatement/reclassification of items in the financial statements - continued**

RMB

Item	31 December 2023	31 December 2022	1 January 2022
<b>Current liabilities:</b>			
Short-term borrowings	11,105,625,836.85	9,396,229,275.32	4,120,586,329.34
Transactional financial liabilities	148,117,309.14	133,009,243.01	-
Bills payable	89,735,513.24	228,669,880.66	87,244,188.73
Accounts payable	2,588,545,523.67	2,812,967,920.77	2,502,175,159.44
Advances from customers	623,460.97	794,329.08	12,829,596.78
Contract liabilities	67,149,275.34	30,333,016.72	219,246,400.33
Employee benefits payable	378,691,400.83	363,794,024.54	364,069,719.08
Taxes payable	462,043,523.14	507,605,023.01	594,812,841.07
Other payables	1,059,445,155.50	1,371,768,690.38	1,776,497,691.50
Including: Interest payable	-	-	-
Dividends payable	5,622,222.18	59,026,395.77	58,771,206.22
Non-current liabilities due within one year	2,392,022,913.00	6,380,323,337.26	4,974,845,270.24
Other current liabilities	1,534,478,767.90	2,017,855,853.48	2,037,992,294.21
<b>Total current liabilities</b>	<b>19,826,478,679.58</b>	<b>23,243,350,594.23</b>	<b>16,690,299,490.72</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	9,567,707,809.79	9,573,248,109.29	10,069,194,495.36
Bonds payable	7,159,103,456.71	5,769,517,430.62	7,086,863,713.17
Including: Preferred stock	-	-	-
Perpetual bonds	-	-	-
Lease liabilities	45,614,131.00	47,738,699.35	326,956,105.32
Long-term payables	907,277,866.27	1,148,281,363.36	4,393,072,497.98
Long-term employee benefits payable	115,649,911.45	115,716,411.45	187,966,149.45
Provisions	203,121,139.63	187,330,812.16	173,542,101.05
Deferred revenue	388,675,627.57	474,342,722.05	557,479,916.10
Deferred tax liabilities	1,148,490,784.95	1,281,034,171.47	1,286,986,799.74
Other non-current liabilities	146,667,698.70	-	-
<b>Total non-current liabilities</b>	<b>19,682,308,426.07</b>	<b>18,597,209,719.75</b>	<b>24,082,061,778.17</b>
<b>Total liabilities</b>	<b>39,508,787,105.65</b>	<b>41,840,560,313.98</b>	<b>40,772,361,268.89</b>

SHENZHEN EXPRESSWAY CORPORATION LIMITED

SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2023

3. **Supplementary information relating to the retrospective application of accounting policies/retrospective restatement/reclassification of items in the financial statements - continued**

RMB

Item	31 December 2023	31 December 2022	1 January 2022
<b>Shareholders' equity:</b>			
Equity	2,180,770,326.00	2,180,770,326.00	2,180,770,326.00
Other equity instruments	4,000,000,000.00	4,000,000,000.00	4,000,000,000.00
Including: Preferred stock	-	-	-
Perpetual bonds	4,000,000,000.00	4,000,000,000.00	4,000,000,000.00
Capital reserve	4,389,338,761.93	4,390,599,135.60	8,864,157,411.51
Other comprehensive income	(542,304,991.67)	(408,012,206.05)	426,519,781.12
Surplus reserve	3,218,191,232.88	3,103,651,659.99	2,931,599,472.69
Undistributed profits	9,112,002,127.97	8,081,458,651.29	7,157,338,734.01
Total equity attributable to shareholders of the Company	22,357,997,457.11	21,348,467,566.83	25,560,385,725.33
Minority interests	5,640,684,528.01	6,015,670,134.69	5,973,069,875.37
<b>Total shareholders' equity</b>	<b>27,998,681,985.12</b>	<b>27,364,137,701.52</b>	<b>31,533,455,600.70</b>
<b>Total liabilities and shareholders' equity</b>	<b>67,507,469,090.77</b>	<b>69,204,698,015.50</b>	<b>72,305,816,869.59</b>