Empowering with Intelligent technology, and Rebuilding value

2023
ANNUAL REPORT

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

STOCK CODE：0576

Empowering with

Intelligent technology, and

Rebuilding value

ANNUAL REPORT

Definitions

Articles of Association	articles of association of the Company
Associate	has the meaning ascribed to it under the Listing Rules
Audit Committee	the audit committee of the Company
Board	the board of directors of the Company
China Merchants Expressway	China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司), a joint stock limited company established in the PRC on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange
Company or Zhejiang Expressway	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Group	Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), a state-controlled enterprise established in the PRC, on December 29, 2001 and the Controlling Shareholder of the Company
Communication Holding	Zhejiang Communication Investment Holding Group Co., Ltd. (浙江省交投控股集團有限公司), a wholly-owned subsidiary of Communications Group
Connected Person	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
De'an Co	Deqing County De'an Highway Construction Co., Ltd. (德清縣德安公路建設有限責任公司), an 80.1% owned subsidiary of the Company, established with Zhejiang Hongtu for PPP Project in Deqing County
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hanghui Co	Zhejiang Hanghui Expressway Co., Ltd. (浙江杭徽高速公路有限公司), a 51% owned subsidiary of the Company
HangNing Co	Zhejiang HangNing Expressway Co., Ltd. (浙江杭寧高速公路有限責任公司), a 30% owned associate of the Company
Hangrao Co	Deqing Hangrao Expressway Co., Ltd. (德清縣杭繞高速有限公司), a non-wholly owned subsidiary of Communications Group
HangShaoYong Co	Zhejiang HangShaoYong Expressway Co., Ltd. (浙江杭紹甬高速公路有限公司), a non-wholly owned subsidiary of Communications Group
Hangxuan Co	Zhejiang Hangxuan Expressway Co., Ltd. (浙江杭宣高速公路有限公司), a wholly-owned subsidiary of Communications Group
HuangQuNan Co	Zhejiang HuangQuNan Expressway Co., Ltd. (浙江黃衢南高速公路有限公司), a 100% owned subsidiary of LongLiLiLong Co
Huihang Co	Huangshan Yangtze Huihang Expressway Co., Ltd. (黃山長江徽杭高速公路有限責任公司), a wholly-owned subsidiary of the Company
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
independent third party(ies)	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules
Jiaogong Group	Zhejiang Communications Construction Group Co., Ltd. (浙江交工集團股份有限公司), a non-wholly owned subsidiary of Communications Group
Jiaogong Maintenance	Zhejiang Jiaogong High-grade Expressway Maintenance Co., Ltd. (浙江交工高等級公路養護有限公司), a non-wholly owned subsidiary of Communications Group

Jiaxiao Co	Jiaxing Jiaxiao Expressway Investment Development Co., Ltd. (嘉興市嘉蕭高速公路投資開發有限公司), a 70% owned subsidiary of Communications Group
Jiaogong Underground Construction	Zhejiang Jiaogong Underground Construction Co., Ltd. (浙江交工地下工程有限公司), a non-wholly owned subsidiary of Communications Group
Jiaxing Branch	Jiaxing Branch of LongLiLiLong Co
Jinhua Co	Zhejiang Jinhua Yongjin Expressway Co., Ltd. (浙江金華甬金高速公路有限公司), a wholly-owned subsidiary of the Company
Liantai Communications	Guangdong Liantai Communications Investment Co., Ltd. (廣東聯泰交通投資有限公司), a limited liability company incorporated in the PRC on May 12, 2000
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Linping Co	Zhejiang Linping Expressway Co., Ltd. (浙江臨平高速公路有限責任公司), formerly known as "Zhejiang Yuhang Expressway Co., Ltd." (浙江余杭高速公路有限責任公司), a 51% owned subsidiary of the Company
LongLiLiLong Co	Zhejiang LongLiLiLong Expressway Co., Ltd. (浙江龍麗麗龍高速公路有限公司), a wholly-owned subsidiary of the Company
Maintenance Co	Zhejiang Expressway Maintenance Co., Ltd. (浙江滬杭甬養護工程有限公司), a non-wholly owned subsidiary of Communications Group
Ningbo Yongtaiwen Co	Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. (浙江寧波甬台溫高速公路有限公司), an approximately 80.45% owned subsidiary of Communications Group
North Channel Co	Zhejiang Zhoushan North Channel Co., Ltd. (浙江舟山北向大通道有限公司), a 60% owned subsidiary of Communications Group
Period	the period from January 1, 2023 to December 31, 2023
PRC	the People's Republic of China
Rmb	Renminbi, the lawful currency of the PRC
Santongdao South Connection Co	Hangzhou Santongdao South Connection Engineering Co., Ltd. (杭州三通道南接線工程有限公司), a non-wholly owned subsidiary of Communications Group
SFO	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a limited liability company established in the PRC on January 1, 1998 which is owned as to 73.625% by the Company and 18.375% by China Merchants Expressway, respectively
Shareholders	the shareholders of the Company
Shensuzhewan Branch	Zhejiang Communications Investment Group Co., Ltd., Shensuzhewan Branch (浙江省交通投資集團有限公司申蘇浙皖分公司), a branch of Communications Group
Shengxin Co	Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (浙江紹興嵊新高速公路有限公司), a 50% owned joint venture of the Company
Shenjiahuhang Co	Zhejiang Shenjiahuhang Expressway Co., Ltd. (浙江申嘉湖杭高速公路有限公司), an associate company indirectly owned by the Company through its subscribing 30% of the subordinated class of the CICC-Zhejiang Expressway-Shenjiahuhang asset-backed special program
Shaoxing Communications	Shaoxing Communications Investment Group Co., Ltd. (紹興市交通投資集團有限公司), a company incorporated in the PRC with limited liability
SRCB	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司), a 4.96% owned associate of the Company
Supervisory Committee	the supervisory committee of the Company
Yangtze Financial Leasing	Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司), a 10.61% owned associate of the Company

Definitions

Yonglan Co	Hunan Yonglan Expressway Co., Ltd. (湖南永藍高速公路有限公司), a limited liability company established in the PRC on January 19, 2006
Wenzhou YongTaiWen Co	Zhejiang Wenzhou YongTaiWen Expressway Co., Ltd. (浙江溫州甬台溫高速公路有限公司), a 15% owned associate of the Company
Zhajiasu Co	Jiaxing Zhajiasu Expressway Co., Ltd., a 55% owned subsidiary of the Company
Zhejiang Communications Finance	Zhejiang Communications Investment Group Finance Co., Ltd. (浙江省交通投資集團財務有限責任公司), a 20.08% owned associate of the Company
Zheshang Development	Zheshang Development Group Co., Ltd. (浙商中拓集團股份有限公司), a joint stock limited company established in the PRC and a 44.55% owned associate of Communications Group
Zheshang Financial	Zhejiang Zheshang Financial Holding Co., Ltd. (浙江浙商金控有限公司), is a wholly-owned subsidiary of the Communications Group, was established under the laws of the PRC with limited liability in August 2018
Zhejiang Grand Hotel	Zhejiang Grand Hotel Limited (浙江大酒店有限公司), a wholly-owned subsidiary of the Company
Zhejiang HNPL Co	Zhejiang Hangzhou-Ningbo Parallel Line Ningbo Phase I Expressway Co., Ltd. (浙江杭甬複線寧波一期高速公路有限公司), a non-wholly owned subsidiary of Communications Group
Zhejiang Hongtu	Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司), a limited liability company incorporated in the PRC and non-wholly owned by Communications Group
Zhejiang Information	Zhejiang High-speed Information Engineering Technology Ltd. (浙江高信技術股份有限公司), formerly known as Zhejiang Expressway Information Engineering Technology Co., Ltd. (浙江高速信息工程技術有限公司), a company incorporated in the PRC and a 65.85% owned subsidiary of Communications Group
Zhejiang International Hong Kong	Zhejiang Expressway International (Hong Kong) Co., Ltd. (浙江滬杭甬國際(香港)有限公司), a wholly-owned subsidiary of the Company
Zhejiang Shunchang	Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. (浙江順暢高等級公路養護有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of Communications Group
Zheshang FoF	Zhejiang Zheshang Transform and Upgrade Fund of Funds Partnership (Limited Partnership), a 24.99% owned associate of the Company
Zheshang Securities	Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a 54.79% owned subsidiary of the Shangsan Co
Zhejiang Commercial	Zhejiang Commercial Group Co., Ltd. (浙江省商業集團有限公司), a company established in the PRC and a subsidiary of Communications Group
Zhejiang Zheqi	Zhejiang Zheqi Industrial Co., Ltd. (浙江浙期實業有限公司), a company established in the PRC, an indirectly non-wholly owned subsidiary of the Company
Zhijiang Communications Holdings	Zhejiang Zhijiang Communications Holdings Co., Ltd. (浙江之江交通控股有限公司), a joint venture owned as to 50% by the Company and China Merchants Expressway, respectively
Zhoushan Co	Zhejiang Zhoushan Bay Bridge Co., Ltd. (浙江舟山跨海大橋有限公司), a 51% owned subsidiary of the Company
ZJIC	Zhejiang Institute of Communications Co., Ltd. (浙江數智交院科技股份有限公司), a joint stock limited company established in the PRC and a 55.08% owned subsidiary of Communications Group

Company Profile

Zhejiang Expressway is a listed company principally engaging in investing in, developing and operating of high-grade roads as well as securities business. The Company was incorporated on March 1, 1997 as an infrastructure company of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province. The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997. The securities business is carried out by its subsidiary Zheshang Securities, which was listed on the Shanghai Stock Exchange (SH Stock Code: 601878) in June 2017.

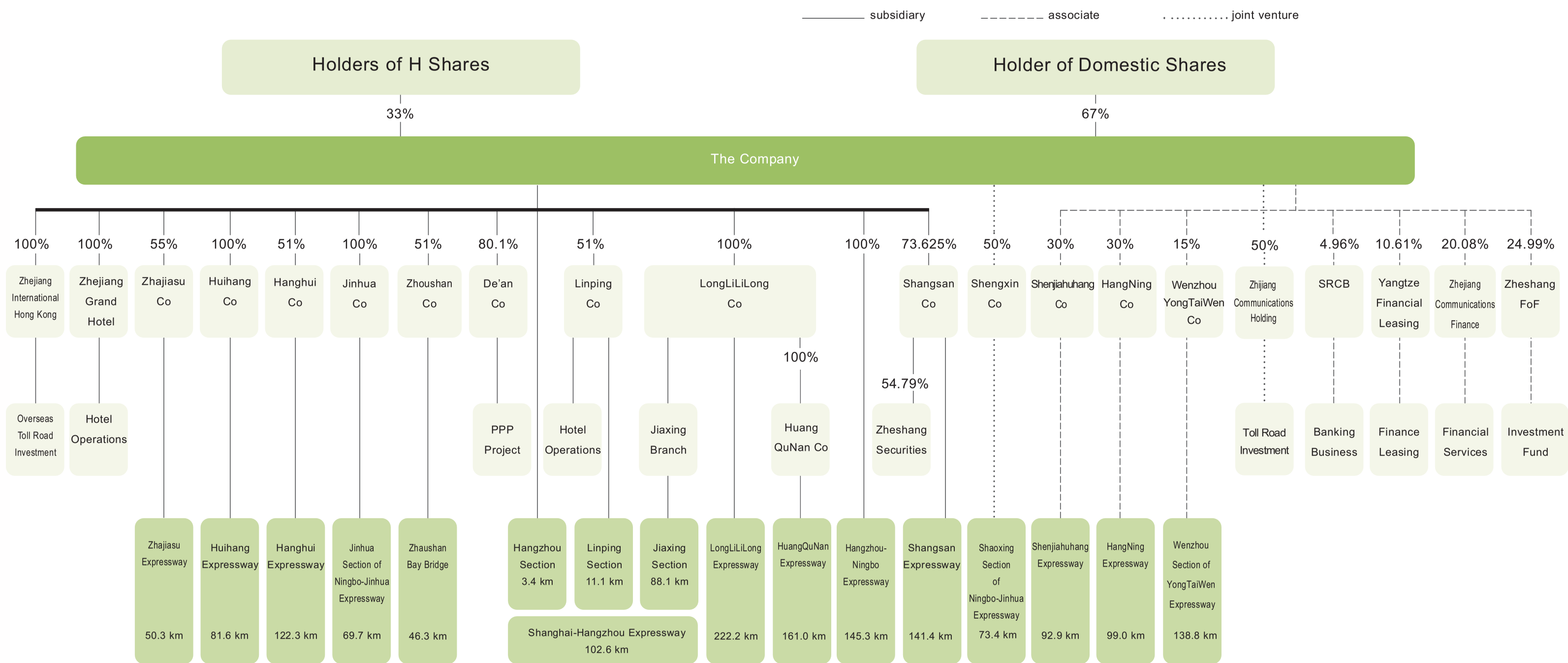
Major assets operated by the Group include nine expressways namely the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 141 km Shangsan Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway, the 82 km Huihang Expressway, the 46 km Zhoushan Bay Bridge, the 222 km LongLiLiLong Expressways, the 50km Zhajiasu Expressway and the 161 km HuangQuNan Expressway. Among which, apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the eight expressways are situated within Zhejiang Province in the PRC. As at December 31, 2023, total assets of the Company and its subsidiaries amounted to Rmb207,733.80 million.

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

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

Corporate Structure of the Group

Set out below is the corporate and business structure of the Group as at March 25, 2024:



Review of Major Corporate Events

1. On March 27, 2023, the Company announced its 2022 annual results.

   On the same date, the Company and Shaoxing Communications, as a consortium, entered into the investment agreement in respect of the investment and implementation of the Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project, with Zhejiang Road and Transportation Management Center* (浙江省公路與運輸管理中心) and Shaoxing Road and Transportation Management Center* (紹興市公路與運輸管理中心).

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

3. On April 18, 2023, the Board approved the decision to delist the Company's H Shares from the London Stock Exchange plc; on the same date, the Company filed an application for delisting with the Financial Conduct Authority and London Stock Exchange plc; the delisting took effect from 8:00 a.m. on May 19, 2023 (London time).

4. On April 28, 2023, the Company announced its 2023 first quarterly results.

5. On May 4, 2023, the Company held its 2022 annual general meeting to approve, inter alia, the payment of a final dividend of RMB37.5 cents per share, the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants as Hong Kong auditor of the Company, the reappointment of Pan-China Certified Public Accountants LLP as the PRC auditor of the Company, and the grant of general mandate to the Board to issue, allot and deal with additional H Shares of not more than 20% of the issued H Shares of the Company.

6. On June 9, 2023, the Company held an extraordinary general meeting to elect Ms. Li Yuan as a supervisor representing Shareholders of the Company and Mr. Zheng Ruchun retired from serving as a supervisor representing Shareholders of the Company, and to approve the grant of a specific mandate to the Board to issue, allot and deal with a maximum of 13,001,017 H Shares of the Company for issuance of conversion shares exceeding the 2020 general mandate upon conversion of the Euro230 million zero coupon convertible bonds due 2026 into H Shares at the conversion price of HK$7.30 adjusted for dividend payment.

7. On July 24, 2023, the Company held an extraordinary general meeting to approve the 2023 Rights Issue (as defined below) and the Shareholders' Return Plan for the Next Three Years (2023–2025), and the 2023 Rights Issue was also approved separately at the H Shares class meeting and the domestic shares class meeting held on the same date.

8. On August 23, 2023, the Company announced its 2023 interim results.

   On the same date, the Board elected Mr. Yuan Yingjie as the Chairman of the Company and Mr. Yu Zhihong retired from serving as the Chairman of the Company, and approved the Company to operate and manage the Zhejiang Section of HangNing Expressway (99.0 kilometers) as entrusted by HangNing Co and the entrusted management agreement was signed on the same date.

Review of Major Corporate Events

9. On August 30, 2023, the Company and China Merchants Expressway entered into an investment agreement with Zhejiang Road and Transportation Management Center* (浙江省公路與運輸管理中心) and Jiaxing Transportation Engineering Construction Management Service Center* (嘉興市交通工程建設管理服務中心) in respect of the investment and implementation of the reconstruction and expansion project of Nanhu Interchange to Zhejiang-Jiangsu Boundary Section of the Zhajiasu Expressway. Subsequently, Zhajiasu Co, a subsidiary of the Company, was designated as the project company for the implementation of the project, and the project company completed the signing of the concession agreement.

10. On September 6, 2023, the Company entered into an investment agreement with Zhejiang Road and Transportation Management Center* (浙江省公路與運輸管理中心) and Jinhua Road and Transportation Management Center* (金華市公路與運輸管理中心) (now renamed as "Jinhua Road Port and Transportation Management Center* (金華市公路港航與運輸管理中心)") in respect of the investment and implementation of the reconstruction and expansion project of Ningbo-to-Jinhua section (Jinhua Section) of the Ningbo-Jinhua Expressway. Subsequently, Jinhua Co, a wholly-owned subsidiary of the Company, was designated as the project company for the implementation of the project, and the project company completed the signing of the concession agreement.

11. On September 7, 2023, the Board appointed Mr. Wu Wei as the General Manager of the Company and Mr. Yuan Yingjie ceased to serve as the General Manager of the Company.

12. On September 27, 2023, the Company held an extraordinary general meeting to elect Mr. Wu Wei as an executive Director and Mr. Chen Ninghui retired from serving as an executive Director; and to elect Mr. Lu Wenwei as a supervisor representing Shareholders of the Company and Ms. Li Yuan ceased to serve as a supervisor representing Shareholders of the Company.

13. On September 28, 2023, the Company and Communications Group entered into an equity purchase agreement to acquire 15% equity interest in Wenzhou YongTaiWen Co at a consideration of RMB816,150,000; and on the same date, LongLiLiLong Co (a wholly-owned subsidiary of the Company) and Communications Group entered into an equity purchase agreement to acquire the entire equity interest in HuangQuNan Co at a consideration of RMB16,700,000.

14. On October 13, 2023, the Company held an extraordinary general meeting to elect Mr. Li Wei as an executive Director.

15. On October 31, 2023, the Company announced its 2023 third quarterly results.

    On the same date, the Board appointed Mr. Wu Wei as an authorized representative of the Company.

16. On November 10, 2023, the Company held an extraordinary general meeting to approve the resolutions in relation to the amendments to Articles of Association due to changes in regulatory rules, as well as to reflect its changes of registered address and business scope.

17. On November 24, 2023, the Company and China Merchants Expressway entered into a joint venture agreement, pursuant to which each party agreed to make a capital contribution of RMB1,341.6 million, each representing 50% of the registered capital of the joint venture, for the establishment of the joint venture; on the same date, the Company and China Merchants Expressway entered into an equity acquisition agreement with the relevant shareholders of Yonglan Co, pursuant to which, upon establishment, the joint venture shall acquire 60% equity interest in Yonglan Co at an amount of approximately RMB2,672.77 million. On November 28, 2023, the joint venture Zhijiang Communications Holding was officially established.

18. On December 13, 2023, the Company completed the 2023 Rights Issue of H Shares and domestic shares, raising gross proceeds equivalent to approximately RMB6.15 billion, of which the newly issued H Shares were officially listed on the Hong Kong Stock Exchange on December 14, 2023. Upon completion of the 2023 Rights Issue, the total number of shares of the Company increased to 5,993,498,010 shares.

19. On December 15, 2023, the Company was awarded the "Best Investment Value Listed Company" and "Listed Company with Excellent Investor Relationship Management" in the 13th China Securities Golden Bauhinia Award, and the "Best Listed Company at ESG Information Disclosure" by the Hong Kong International ESG Alliance.

20. On December 20, 2023, the Company was awarded the "ESG Excellence Report" rating in the ESG Report Rating Activity for Social Responsibilities of Communication Enterprises organized by China Association of Communication Enterprise Management.

21. On December 28, 2023, the Company held an extraordinary general meeting to approve the grant of a special mandate to the Board to issue, allot and deal with a maximum of 27,333,464 H Shares of the Company for issuance of conversion shares exceeding the 2020 general mandate and the previous specific mandate upon conversion of Euro230 million zero coupon convertible bonds due 2026 into H Shares at the conversion price of HK$6.69 adjusted for the 2023 Rights Issue.

22. On January 12, 2024, the Company entered into entrusted management agreements with Zhejiang HNPL Co, HangShaoYong Co and Hangrao Co, respectively, pursuant to which the Company was entrusted to operate and manage Phase I Ningbo Section of the Parallel Line G92N of Hangzhou Bay Ring Expressway (55.8 kilometers, "Hangzhou-Ningbo Expressway Parallel Line"), Hangzhou to Shaoxing Section of Hangzhou-Shaoxing-Ningbo Expressway (52.8 kilometers) and Huzhou Section of the West Parallel Line of the Hangzhou Ring Expressway (50.8 kilometers); among them, the Hangzhou-Ningbo Expressway Parallel Line and Hangzhou to Shaoxing Section of Hangzhou-Shaoxing-Ningbo Expressway opened to traffic on January 19, 2024.

23. On January 22, 2024, the Company, at the option of the holder of convertible bonds, made early redemption of EUR202.6 million (together with accrued interest) of the total Euro230 million zero coupon convertible bonds due 2026 issued by the Company on January 20, 2021.

24. On January 25, 2024, the joint venture Zhijiang Communications Holdings entered into an equity acquisition agreement with Liantai Communications to acquire the remaining 40% equity interest in Yonglan Co.

Particulars of Major Road Projects

Expressway	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	100%	88.1	8	7	2	1998	5
– Linping Section	51%	11.1	6	1	0	1995–1998	5
– Hangzhou Section	100%	3.4	4	1	0	1995	5
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	15.7	4	1	0	1992	4
– Hongken to Duantang section	100%	123.4	8	11	2	1995	4
– Duantang to Dazhujia section	100%	6.2	4	1	0	1996	4
Shangsan Expressway	73.625%	141.4	4	11	3	2000	7
Ningbo-Jinhua Expressway							
– Jinhua Section	100%	69.7	4	7	1	2005	7
Hanghui Expressway							
– Changyu Section	51%	36.7	4	5	1	2004	6
– Changhang Section	51%	85.6	4	8	1	2006	8
Huihang Expressway	100%	81.6	4	4	2	2004	10
Zhoushan Bay Bridge	51%	46.3	4	8	1	2009	11
LongLi Expressway	100%	119.8	4	9	3	2006	8
LiLong Expressway							
– Liandu Section	100%	22.97	4	2	0	2007	9
– Other Sections	100%	79.47	4	5	1	2006	8
Zhajiasu Expressway	55%	50.28	4	4	1	2002	7
HuangQuNan Expressway							
– Qunan Section	100%	87.26	4	5	2	2008	9
– Quhuang Section	100%	73.745	4	5	2	2011	12

CURRENT TOLL RATES ON THE EXPRESSWAYS UNDER THE GROUP

1. Passenger vehicle classification and toll rates

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

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

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

2. Truck and special motor vehicle classification and toll rates

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

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

Notes:

1. Total number of axles includes floating axles.

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

Financial and Operating Highlights

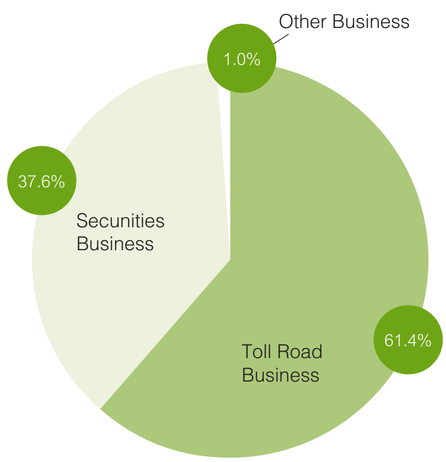
RESULTS

	2019 Rmb'000 (Restated)	2020 Rmb'000 (Restated)	2021 Rmb'000 (Restated)	2022 Rmb'000 (Restated)	2023 Rmb'000
Revenue	12,943,080	12,723,793	16,641,414	15,331,777	16,965,024
Profit Before Tax	4,895,872	4,114,669	7,854,182	7,342,061	7,851,538
Income Tax Expense	(1,351,157)	(1,160,027)	(1,873,961)	(1,039,051)	(1,229,208)
Profit for the year	3,544,715	2,954,642	5,980,221	6,303,010	6,622,330
Profit for the year attributable to:					
Owners of the Company	2,840,934	1,997,450	4,452,488	5,178,666	5,223,679
Non-controlling interests	703,781	957,192	1,527,733	1,124,344	1,398,651
Basic Earnings Per Share (EPS) (Rmb cents)	62.39	43.86	97.78	113.72	112.95
Diluted EPS (Rmb cents)	60.69	43.64	91.54	108.33	105.32

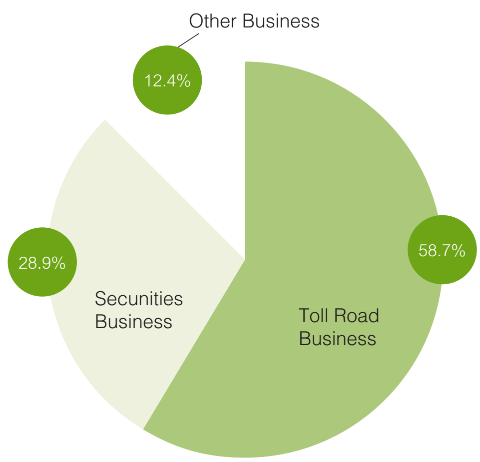
RETURN ON EQUITY (ROE)

	2019 (Restated)	2020 (Restated)	2021 (Restated)	2022 (Restated)	2023
ROE	16.7%	8.8%	16.8%	17.3%	16.0%

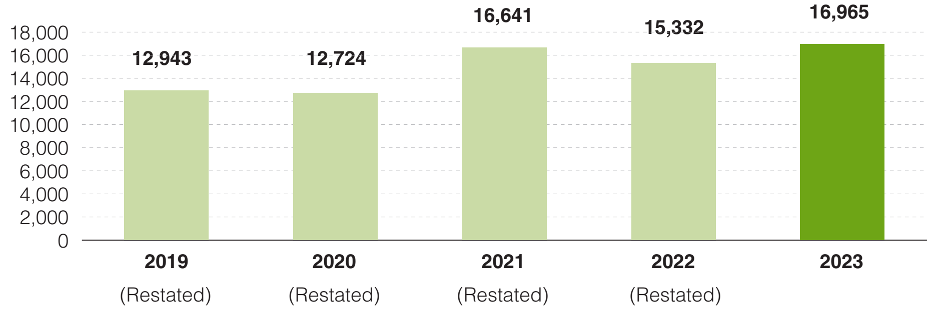
Segmental Revenue / 2023



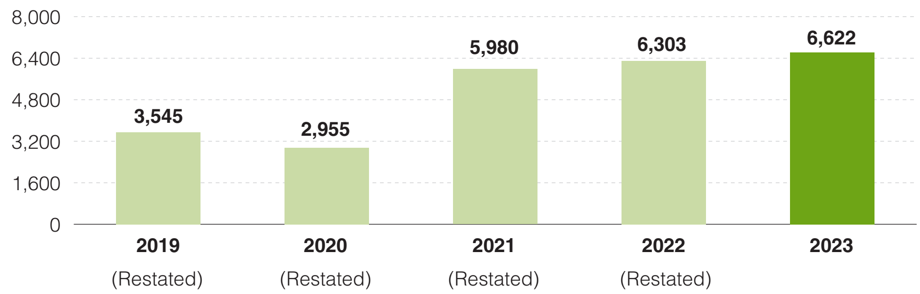
Segmental Net Profit / 2023



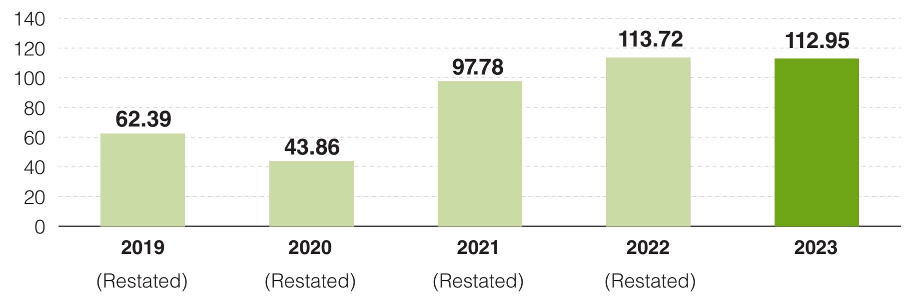
Revenue / Rmb Million



Net profit / Rmb Million



Basic EPS / Rmb Cents



ROE / %

Empowering with Intelligent technology, and Rebuilding value

YUAN Yingjie
Chairman

Chairman's Statement

Dear Shareholders,

On behalf of the Board, it is my pleasure to present the annual results of Zhejiang Expressway Co., Ltd., and its subsidiaries (collectively referred to as the "Group") for the year 2023.

In 2023, in the face of the complex and severe international environment and the arduous and heavy mission of domestic reform, development and maintaining stable, China deepened its reform and opening up in all respects and intensified its efforts in macro-control, a pick up and improvement of the national economy were seen. Zhejiang Province, where the Group's principal businesses are located, has seen collaborative recovery in the supply and demand, gaining persistent vitality of innovation, and the economic operation is steadily advancing.

During the Period, against the backdrop of pressure-bearing external environment and the slowdown of economic recovery, the Group focused on its principal businesses and made breakthroughs, and successfully achieved its results targets for the year with a number of landmark accomplishments having been made. During the Period, total revenue of the Group increased by 10.7% year on year to RMB16,965.02 million, profit attributable to owners of the Company increased by 0.9% year on year to RMB5,223.68 million, and ROE (return on equity) was 16.0%. The Board recommended a dividend of RMB32.0 cents per share, providing long-term stable shareholder returns on an ongoing basis.

Chairman's Statement

As for the development of the core business, in 2023, adhering to the development concept of "empowering with intelligent technology and rebuilding value", the Group successfully realised industrial implementation of intelligent expressways technology, effectively improved the quality of its operation services, and continuously strengthened its capability in innovative development of the core expressways business, by digital and technological means. During the Period, the Group completed the task of transportation safeguard for the Hangzhou Asian Games in a high-quality manner, playing a leading role in the divergent driving force across the province and further improving the reputation of the brand of Zhejiang Expressway.

Regarding investment and financing, the Group jointly established an investment platform named "Zhijiang Communications Holdings" with China Merchants Expressway, and successfully implemented the acquisition of 60% equity interest in Yonglan Co, which laid a solid foundation for the Company to "going-out" from the eastern coastal region of China and achieve geographical expansion; successfully completed the acquisition of 100% equity interest in HuangQuNan Co and the acquisition of 15% equity interest in Wenzhou YongTaiWen Co, continuing to expand and consolidate the toll operation business, which effectively contributed to the performance growth of the Company and consolidated its leading position in the expressway industry in the province. Meanwhile, the Company successfully completed the first equity financing through a rights issue since the Company's listing on the Hong Kong Stock Exchange, raising funds equivalent to RMB6.15 billion, which effectively met the needs for funds regarding ongoing reconstruction and extension projects, and laid a foundation for debt financing in the future.

As for the securities business, during the Period, the global economic situation remained complex and unstable, and the trading volume in the capital market declined in China, tending to be a downturn. In the face of so many unfavourable factors, Zheshang Securities fully grasped the opportunities brought by the comprehensive registration-based IPO system and achieved a growth in its overall results despite of the prevailing trend. Leveraging its strong profitability and steadily growing business scale, Zheshang Securities took a solid step towards being among the medium to large securities firms nationwide.

2024 marks a crucial year for the “14th Five-Year” plan. Given the opportunities and challenges, the Group will continue to focus on its core business, strive to improve competitiveness, and take various measures to promote the steady growth of its businesses, in order to strive for its steady and long-term development in a high-quality manner.

Looking ahead, the Group will, centering on its business objectives, focus on its principal duties and business, and accelerate the enhancement of its ability to ensure safe and smooth operation, its cost-effective operation ability and market-oriented management and output ability. At the same time, the Group will focus on sustainable development and expand its operation in the expressway-related industry, green and low-carbon industries and new energy. Driven by innovation and empowered by digital intelligence, the Group will accelerate the translation of its new innovative achievements and the export of its technologies, striving to be a leader in the industry.

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, investors, business partners, customers, the management and all employees who have been concerned about and supported the development of the Company. The year of 2024 will be a year of unity, commitment and determination for us, and we will endeavour to create an even brighter tomorrow and reward our investors with the results of its high-quality development.

YUAN Yingjie
Chairman

March 25, 2024

Empowering with Intelligent technology, and Rebuilding value

WU Wei

Executive Director and General Manager

Management Discussion and Analysis

BUSINESS REVIEW

The year 2023 marked the first year of the post-COVID-19 pandemic era, and the global economy was gradually emerging from the impact of the pandemic. However, against the backdrop of intensifying geopolitical conflicts, concurrent high interest rates and high inflation, and rising trade protectionism, the global economy as a whole was in weak recovery. After the easing of the pandemic prevention and control measures, China's economy and society generally returned to normal state, but at the same time, were confronted with the challenge of real estate market's adjustment and transformation. Under the guidance of the government's general principle of seeking progress while maintaining stability, macro-control policies were implemented in a concerted manner and the consumption and production continued to recover, resulting in an overall upturn in China's economic performance, with a year-on-year increase of 5.2% in GDP for the year. In 2023, Zhejiang Province's service sector grew strongly, consumption potential continued to unleash, and the scale of effective investment expanded, boosting a year-on-year increase of 6.0% in GDP of the province.

During the Period, the toll revenue of the Group's expressways increased significantly year-on-year benefiting from the continuous recovery of China's economy and the low base effect, while revenue from securities business achieved steady growth against the downtrend of the capital market. During the Period, total revenue of the Group was Rmb16,965.02 million, representing an increase of 10.7% year-on-year, of which Rmb10,423.83 million was generated by the nine major expressways operated by the Group (2022 (restated): Rmb9,093.38 million), representing 61.4% of total revenue. Revenue generated by the securities business was Rmb6,372.29 million (2022: Rmb6,080.38 million), representing 37.6% of the total revenue.

Scale & Profitability improving qualitatively, with regular dividend declaration made to reward the shareholders

To attain the goal of realizing high-quality development, the Group made efforts in capital operation, reform breakthrough and management improvement and facilitated the development of a synergy among such three aspects, achieving qualitative improvement in its operating scale and profitability. The Group continued to place importance on rewarding the Shareholders, and the Board thus recommended a dividend of RMB32.0 cents per share to reward the investors.

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

	2023 *Rmb'000*	2022 *Rmb'000* (Restated)	change *(%)*
Toll road operation revenue	**10,423,833**	9,093,380	14.6%
Shanghai-Hangzhou-Ningbo Expressway	**4,901,165**	3,971,714	23.4%
Shangsan Expressway	**1,094,646**	984,737	11.2%
Jinhua section, Ningbo-Jinhua Expressway	**557,158**	466,326	19.5%
Hanghui Expressway	**737,352**	593,918	24.2%
Huihang Expressway	**193,725**	134,512	44.0%
Shenjiahuhang Expressway	**–**	619,166	-100.0%
Zhoushan Bay Bridge	**1,201,578**	827,693	45.2%
LongLiLiLong Expressways	**756,412**	672,645	12.5%
Zhajiasu Expressway	**477,037**	389,622	22.4%
HuangQuNan Expressway	**504,760**	433,047	16.6%
Securities business revenue	**6,372,289**	6,080,383	4.8%
Commission and fee income	**3,919,889**	3,689,947	6.2%
Interest income	**2,452,400**	2,390,436	2.6%
Other operation revenue	**168,902**	158,014	6.9%
Hotel and catering	**124,072**	88,143	40.8%
Public-Private Partnership	**44,830**	69,871	-35.8%
Total revenue	**16,965,024**	15,331,777	10.7%

Note: Due to the issuance of CICC-Zhejiang Expressway-Shenjiahuhang asset-backed special program, Shenjiahuhang Co was no longer included in the Group's consolidated financial statement from December 2, 2022.

Advantages in the core business were continuously consolidated and the equity financing realized a milestone-like breakthrough

Focusing on its primary responsibility and core business, the Group realized industrial implementation of intelligent expressways technology, and created a new model of market-based mergers and acquisitions, with the quality and efficiency of the operation keeping improving and the advantages in the core business being consolidated. Meanwhile, it completed an equity financing successfully which was the first of its kind for the Company since it became listed on the Hong Kong Stock Exchange, with proceeds raised equivalent to RMB6.15 billion, effectively supporting the need of its ongoing reconstruction and expansion projects for funds.

Toll Road Operations

During the Period, as China's economy steadily recovered, the overall traffic volume and toll revenue of the Group's expressways achieved a significant increase year-on-year. The performance of different sections of the Group's expressways varied due to various factors.

Following the low traffic volume base affected by the pandemic in 2022, a significant increase was seen in the demand for travelling such as business, tourism and family visits after the easing of the pandemic prevention and control policy in 2023, the passenger vehicles traffic volume of the Group's expressways recovered rapidly and a significant year-on-year increase was recorded in the passenger vehicles toll revenue, with tourism routes including the Huihang Expressway and the Zhoushan Bay Bridge being positively affected in particular. However, the year-on-year increase in the truck traffic volume of the Group's expressways was relatively flat, which was mainly due to the weaker-than-expected recovery in freight demand as a result of the sluggish recovery of the world economy and the slowdown in global trade and investment.

Meanwhile, the traffic volume of the relevant expressways was also influenced by changes in the surrounding road network. The Hangzhou-Shaoxing-Taizhou Expressway fully opened to traffic on February 11, 2022, continued to divert the traffic volume on the Shangsan Expressway. From September 16 to October 9, 2023, for the purpose of transportation security needs of the Hangzhou Asian Games, the relevant sections of the Shanghai-Hangzhou-Ningbo Expressway was under traffic control during the daytime and a 50% discount on the toll was implemented for yellow-plate trucks on the Zhajiasu Expressway, which had a certain negative impact on the toll revenue during such period. The pilot section of the Linjian Expressway opened for traffic from December 30, 2022, attracting vehicles travelling to and from Hangzhou City and Anhui Province to switch to the Hanghui Expressway which is connected to it, resulting in the additional growth of toll revenue of Hanghui Expressway.

In addition, since January 1, 2023, Hangzhou Lin'an District Government has implemented the policy to pay the tolls for Zhejiang A-plate Class I ETC passenger vehicles traveling on Hanghui Expressway from Yuhang Toll Station to Qingshanhu Toll Station and from Yuhang Toll Station to Lin'an Toll Station, which is conducive to the growth of the traffic volume of passenger vehicles on the Hanghui Expressway.

Seeking transformation by means of reform and development, with the results of Zheshang Securities recording a growth despite of the prevailing unfavorable trend

In the face of the multiple negative factors including the complex domestic and international environment and the downward trend of the capital market, Zheshang Securities gathered efforts to develop and reform, and planned for the business transformation as a whole, with various business realizing steady development and the overall performance growing despite of the prevailing unfavorable trend.

Looking back at 2023, the comprehensive strength of the Group's core expressway business continued to improve. The Group completed the transportation safeguard services for the Hangzhou Asian Games in a high-quality manner and further enhanced its brand image; piloted intelligent patrol equipment, strengthened the mechanization level of patrol for road maintenance, and continued to improve the quality of the road conditions; completed the alleviation of congestion on high-traffic sections of the Shanghai-Hangzhou-Ningbo Expressway and other high-traffic sections to ensure smoother public travel; took advantage of the post-pandemic self-drive touring boom and actively advanced market-oriented measures to attract traffic and increase revenue; achieved industrial implementation of intelligent expressways technology and digitalization as well as technological innovation and development continued to accumulate new growth drivers.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsan Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 46km Zhoushan Bay Bridge, the 222km LongLiLiLong Expressways, the 50km Zhajiasu Expressway and the 161km HuangQuNan Expressway was Rmb10,423.83 million.

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

The Group's Expressway Sections	**Daily Average Traffic Volume** *(in Full-Trip Equivalents)*	**year–on-year increase**	**Toll Revenue** *(Rmb million)*	**year–on-year increase**
Shanghai-Hangzhou-Ningbo Expressway	88,721	31.80%	4,901.17	23.4%
– Shanghai-Hangzhou Section	89,315	50.77%		
– Hangzhou-Ningbo Section	88,288	20.60%		
Shangsan Expressway	32,723	19.50%	1,094.65	11.2%
Jinhua Section, Ningbo-Jinhua Expressway	33,710	26.26%	557.16	19.5%
Hanghui Expressway	29,073	25.57%	737.35	24.2%
Huihang Expressway	12,721	47.43%	193.73	44.0%
Zhoushan Bay Bridge	30,216	48.49%	1,201.58	45.2%
LongLiLiLong Expressways	15,082	16.49%	756.41	12.5%
Zhajiasu Expressway	41,488	31.83%	477.04	22.4%
HuangQuNan Expressway	11,613	24.62%	504.76	16.6%

To strengthen the empowerment with intelligent technology and strive for an enhancement of long-term investment value

The Group will adhere to the direction of high-quality and sustainable development, strengthen the empowerment by intelligent technology, enhance its cost-effective operation capability and market-based management output capability, and continue to strengthen its core competitiveness. Meanwhile, it will systematically plan for the reconstruction and expansion of expressways, increase efforts in investment in and merger & acquisition of high-quality expressway projects and promote sustainable development, to increase the value of the long-term investment of the Company continuously.

Securities Business

In 2023, global inflation remained high and difficult to alleviate, while the international landscape continued to evolve in a complex manner. China's economic development still faced challenges brought by cyclical and structural problems. Multiple internal and external factors have led to a lack of investor confidence and a decline in trading activity, as well as the downward volatility in the capital market. Despite facing many unfavorable factors, Zheshang Securities has been able to fully grasp the development opportunity of comprehensive registration-based IPO system, fully initiate reform and development, comprehensively plan for business transformation, continuously improve compliance risk control levels, and steadily develop all business areas, resulting in an overall performance growth against the trend. Among them, investment banking, futures brokerage, and securities investment business were the main drivers of growth.

During the Period, Zheshang Securities recorded total revenue of Rmb6,372.29 million, representing an increase of 4.8% year-on-year, of which, commission and fee income increased 6.2% year-on-year to Rmb3,919.89 million, and interest income from the securities business was Rmb2,452.40 million, representing an increase of 2.6% year-on-year. In addition, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb1,024.96 million (2022: Rmb679.73 million).

Hotel and Catering Business

In 2023, with the smooth transition of epidemic prevention and control and the effective implementation of policies to promote domestic demand and consumption, the service industry has quickly rebounded, especially in contact-based and group-based services such as accommodation and catering. The revenue of two hotels under the Group has increased significantly, but the profitability has not yet returned to pre-epidemic levels.

Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company during the Period), recorded revenue of Rmb41.76 million for the Period (2022: Rmb23.49 million).

Grand New Century Hotel, owned by Zhejiang Linping Expressway Co., Ltd. (a 51% owned subsidiary of the Company during the Period), recorded revenue of Rmb82.32 million for the Period (2022: Rmb64.66 million).

Management Discussion and Analysis

Long-Term Investments

Shengxin Co owns the 73km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 29,986, representing an increase of 21.63% year-on-year. Toll revenue was Rmb536.65 million (2022: Rmb469.88 million). During the Period, the joint venture recorded a net profit of Rmb164.28 million (2022: Rmb99.54 million).

Zhejiang HangNing Expressway Co., Ltd. (a 30% owned associate of the Company during the Period) owns the 99km HangNing Expressway. During the Period, the associate company recorded a net profit of Rmb486.60 million (2022: Rmb207.84 million).

During the Period, the Company held 30% of the subordinated class of CICC-Zhejiang Expressway-Shenjiahuhang asset-backed special program (the "Special Program") which owns the Shenjiahuhang Expressway with a total length of 93km. During the Period, the Special Program recorded a book loss of Rmb141.90 million.

Zhejiang Wenzhou YongTaiWen Expressway Co., Ltd. ("Wenzhou YongTaiWen Co", an associate of the Company, of which the Company completed the acquisition of 15% equity interest on October 26, 2023) operates the Wenzhou section of the YongTaiWen Expressway with a total length of 139km. During the Period, the associate company achieved a net profit of Rmb282.10 million.

Zhejiang Communications Investment Group Finance Co., Ltd. (a 20.08% owned associate of the Company during the Period) derived income mainly from interest income, fees and commissions for providing financial services, including arranging loans and receiving deposits, for Communications Group, the Controlling Shareholder of the Company, and its subsidiaries. During the Period, the associate company recorded a net profit of Rmb818.65 million (2022: Rmb850.88 million).

Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company during the Period) is primarily engaged in the financial leasing business, the transferring and receiving of financial leasing assets, fixed-income securities investment, and other businesses approved by the National Financial Regulatory Administration. During the Period, the associate company recorded a net profit of Rmb645.30 million (2022: Rmb579.46 million).

Shanghai Rural Commercial Bank Co., Ltd. (a 4.92% owned associate of the Company during the Period) is primarily engaged in the commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses that are approved by the National Financial Regulatory Administration. As at the date of this report, the associate company has not yet released its audited financial data for the year 2023.

Zhejiang Zheshang Transform and Upgrade Fund of Funds Partnership (Limited Partnership) (a 24.99% owned associate of the Company during the Period) is primarily engaged in equity investments, investment management and investment consultation. During the Period, the net profit of the associate attributable to the Company was Rmb66.17 million (2022: net loss of Rmb40.99 million).

Investment, Mergers & Acquisitions and Equity Financing

During the Period, the Group successfully acquired all equity interest of HuangQuNan Co (owning 161km HuangQuNan Expressway), and 15% equity interest of Wenzhou YongTaiWen Co (owning 139km Wenzhou section of YongTaiWen Expressway), further expanding its core expressway business. It also jointly established an investment platform with China Merchants Expressway, successfully acquiring 60% equity interest of Yonglan Co (owning 145km Yonglan Expressway), further expanding its strategic layout in core expressway locations. The Group also successfully won the bid for investment in reconstruction and expansion projects of the Shaoxing section and Jinhua section of Ningbo-Jinhua Expressway as well as Zhajiasu Expressway, and completed the signing of concession agreements by project companies, contributing to the sustainable development of its core expressway business.

To further enhance the Group's core competitiveness and accelerate sustainable development, the Company has completed the rights issue of H shares and domestic shares on December 13, 2023 (the "2023 Rights Issue"), including: (1) H Share right issue of 544,864,710 H Shares on the basis of 3.8 H rights shares for every 10 existing H shares at a price of HK$4.06 per H rights share; (2) domestic share right issue of 1,105,518,800 domestic shares on a basis of 3.8 domestic rights shares for every 10 existing domestic shares at a price of Rmb3.73 per domestic share. The 2023 Rights Issue is the first equity financing since the Company's listing on the Hong Kong Stock Exchange and has raised equivalent to Rmb6.15 billion proceeds at the exchange rate of issue day, providing effective support to the capital needs for its ongoing reconstruction and expansion projects.

Management Discussion and Analysis

The aggregate nominal value of the H Shares under the 2023 Rights Issue is Rmb544,864,710 and the aggregate nominal value of the domestic shares under the 2023 Rights Issue is Rmb1,105,518,800. The net price per H Share under the 2023 Rights Issue is HK$4.04. The closing price per H Share as stated in the Hong Kong Stock Exchange's daily quotation sheet on May 23, 2023 (the date of announcement setting out the principal terms and conditions of the 2023 Rights Issue) was HK$6.42 and on November 6, 2023 (the date of announcement setting out the issue prices for the 2023 Rights Issue) was HK$5.96.

FINANCIAL ANALYSIS

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

During the Period, profit attributable to owners of the Company was Rmb5,223.68 million, representing an increase of 0.9% year-on-year, basic earnings per share was Rmb112.95 cents, representing a decrease of 0.7% year-on-year, diluted earnings per share was Rmb105.32 cents, representing a decrease of 2.8% year-on-year, and return on owners' equity was 16.0%, representing a decrease of 7.5% year-on-year.

Liquidity and Financial Resources

As at December 31, 2023, current assets of the Group amounted to Rmb152,862.43 million in aggregate (December 31, 2022 (restated): Rmb146,213.77 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 18.4% (December 31, 2022 (restated): 16.6%), bank balances and clearing settlement fund held on behalf of customers accounted for 29.7% (December 31, 2022 (restated): 33.3%), financial assets at FVTPL accounted for 27.3% (December 31, 2022 (restated): 29.9%) and loans to customers arising from margin financing business accounted for 13.0% (December 31, 2022 (restated): 12.0%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2023 was 1.50 (December 31, 2022 (restated): 1.40). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances and clearing settlement fund held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.80 (December 31, 2022 (restated): 1.80).

The amount of financial assets at FVTPL included in current assets of the Group as at December 31, 2023 was Rmb41,729.11 million (December 31, 2022: Rmb43,789.94 million), of which 61.0% was invested in bonds, 9.3% was invested in stocks, 20.5% was invested in equity funds, and the rest were invested in structured products and trust products.

The 2023 Rights Issue has raised gross proceeds in an aggregate amount of HK$6.70 billion, which was equivalent to Rmb6.13 billion by the exchange rate at receipt, of which Rmb5.2 billion will be used for expenses related to existing expressway expansion and reconstruction projects, and the remaining will be used for replenishing working capital and repaying loans for daily operating expenses. As of December 31, 2023, Rmb0.03 billion has been used for intermediary fees, Rmb0.12 billion has been used for expenses related to existing expressway expansion and reconstruction projects. The remaining balance was equivalent to RMB5.98 billion at the exchange rate by end of Period, among which, Rmb5.08 billion will be used for expenses related to existing expressway expansion and reconstruction projects, and the remaining will be used for replenishing working capital and repaying loans for daily operating expenses, which are expected to be used in the upcoming four years.

During the Period, net cash inflow from the Group's operating activities amounted to Rmb9,814.33 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

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

	As at December 31,	
	2023	2022
	Rmb'000	*Rmb'000*
		(Restated)
Cash and cash equivalents	**23,830,440**	23,990,165
Restricted bank balances and cash	**100,631**	70,179
Time deposits	**4,268,560**	203,632
Financial assets at fair value through profit or loss	**41,729,113**	43,789,944
Total	**69,928,744**	68,053,920

Management Discussion and Analysis

Borrowings and Solvency

As at December 31, 2023, total liabilities of the Group amounted to Rmb147,328.69 million (December 31, 2022 (restated): Rmb141,561.20 million), of which 12.1% was bank and other borrowings, 1.5% was short-term financing note, 19.7% was bonds payable, 16.7% was financial assets sold under repurchase agreements and 30.4% was accounts payable to customers arising from securities business.

As at December 31, 2023, total interest-bearing borrowings of the Group amounted to Rmb57,400.74 million, representing an increase of 4.5% compared to that as at December 31, 2022. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb13,910.40 million, borrowings from overseas commercial bank loans of Rmb63.22 million, borrowings from other domestic financial institutions of Rmb1,449.22 million, borrowings from other domestic institutions of Rmb2,384.10 million, short-term financing note of Rmb1,507.58 million, beneficial certificates of Rmb630.03 million, long-term beneficial certificates of Rmb3,089.38 million, mid-term notes of Rmb3,048.45 million, subordinated bonds of Rmb3,136.48 million, corporate bonds of Rmb18,054.86 million, asset backed securities of Rmb1,685.08 million, convertible bond denominated in Renminbi of Rmb6,626.47 million and convertible bond denominated in Euro that equivalents to Rmb1,815.47 million. Of the interest-bearing borrowings, 75.7% was not payable within one year.

As at December 31, 2023, the Group's borrowings from domestic commercial banks bearing annual fixed interest rates ranged from 2.7% to 4.2%, annual floating interest rates ranged from 3.73% to 4.35%, borrowings from overseas commercial banks bearing annual fixed interest rates were 5.25%, annual floating interest rates were 7.43%, the annual fixed interest rates of other domestic financial institutions were 3.7% and 4.13%, annual floating interest rates were 3.78%, and the annual fixed interest rates of other domestic institutions were 3.0% and 3.65%. As at December 31, 2023, the annual floating interest rates for beneficial certificates ranged from 2.35% to 7.0%, the annual fixed interest rates for short-term financing notes were 2.5%, the annual fixed interest rates for long-term beneficial certificates were 3.75%, the annual fixed interest rate for mid-term notes were 2.8% and 2.97%, the annual fixed interest rates for subordinated bonds were 3.65% and 4.08%, the annual fixed interest rate for corporate bond ranged from 1.638% to 3.49%, the annual coupon rate for convertible bond denominated in Renminbi was 0.4%, the annual coupon rate for convertible bond denominated in Euro was nil.

	Gross amount *Rmb'000*	Maturity Profile Within 1 year *Rmb'000*	2-5 years inclusive *Rmb'000*	Beyond 5 years *Rmb'000*
Floating rates				
Borrowings from domestic commercial banks	13,144,725	1,201,115	5,063,586	6,880,024
Borrowings from overseas commercial banks	10,113	10,113	–	–
Borrowings from a domestic financial institution	925,558	96,624	429,318	399,616
Beneficial Certificates	630,029	630,029	–	–
Asset backed securities	1,685,083	–	–	1,685,083
Fixed rates				
Borrowings from domestic commercial banks	765,676	765,676	–	–
Borrowings from overseas commercial banks	53,104	53,104	–	–
Borrowings from a domestic financial institution	523,664	82,664	441,000	–
Borrowings from domestic institutions	2,384,103	2,384,103	–	–
Short-term financing notes	1,507,582	1,507,582	–	–
Long-term Beneficial Certificates	3,089,384	3,089,384	–	–
Subordinated bonds	3,136,477	2,036,477	1,100,000	–
Corporate bonds	18,054,855	229,794	17,825,061	–
Mid-term notes	3,048,452	48,452	3,000,000	–
Convertible bonds	8,441,932	1,830,842	6,611,090	–
Total as at December 31, 2023	57,400,737	13,965,959	34,470,055	8,964,723
Total as at December 31, 2022 (Restated)	54,048,372	20,712,670	21,772,917	11,562,785

Total interest expenses and profit before interest and tax for the Period amounted to Rmb2,104.13 million and Rmb9,955.67 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 4.7 times (Corresponding period of 2022 (restated): 4.9 times).

Management Discussion and Analysis

	2023 Rmb'000	2022 Rmb'000 (Restated)
Profit before tax and interest	9,955,667	9,236,455
Interest expenses	2,104,129	1,894,394
Interest cover ratio	4.7	4.9

As at December 31, 2023, the asset-liability ratio (total liabilities over total assets) of the Group was 70.9% (December 31, 2022 (restated): 74.2%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 63.2% (December 31, 2022 (restated): 65.5%).

Capital Structure

As at December 31, 2023, the Group had Rmb60,405.11 million in total equity, Rmb112,826.13 million in fixed-rate liabilities, Rmb16,395.51 million in floating-rate liabilities, and Rmb18,107.05 million in interest-free liabilities, representing 29.1%, 54.3%, 7.9% and 8.7% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 169.7% as at December 31, 2023 (December 31, 2022 (restated): 188.9%).

	As at December 31, 2023		As at December 31, 2022	
	Rmb'000	%	Rmb'000 (Restated)	% (Restated)
Total equity	60,405,113	29.1%	49,300,214	25.8%
Fixed rate liabilities	112,826,127	54.3%	109,293,991	57.3%
Floating rate liabilities	16,395,508	7.9%	19,068,360	10.0%
Interest-free liabilities	18,107,054	8.7%	13,198,849	6.9%
Total	207,733,802	100.0%	190,861,414	100.0%
Long-term interest-bearing liabilities	43,762,294	21.1%	39,523,762	20.7%
Gearing ratio 1 (note)	169.7%		188.9%	
Gearing ratio 2 (note)	72.4%		80.2%	
Asset-liabilities ratio 1 (note)	70.9%		74.2%	
Asset-liabilities ratio 2 (note)	63.2%		65.5%	

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

Capital Expenditure Commitments and Utilization

During the Period, capital expenditure of the Group totaled Rmb3,332.05 million. Amongst the total capital expenditure of the Group, Rmb1,767.80 million was incurred for acquiring equity investments, Rmb768.56 million was incurred for acquisition and construction of properties, Rmb795.54 million was incurred for purchase and construction of equipment, facilities and ancillary facilities and Rmb0.15 million was incurred for reconstruction and expansion projects of existing expressways.

As at December 31, 2023, the capital expenditure committed by the Group amounted to Rmb6,238.41 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb1,061.25 million will be used for acquiring equity investments, Rmb428.77 million will be used for acquisition and construction of properties, Rmb968.39 million for acquisition and construction of equipment, facilities and ancillary facilities, Rmb3,780.00 million for reconstruction and expansion projects of existing expressways.

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

Contingent Liabilities and Pledge of Assets

The Company and Shaoxing Communications provided Shengxin Co with joint guarantee for its bank loans of Rmb2.20 billion, in accordance with their proportionate equity interests in Shengxin Co. As at December 31, 2023, the remaining bank loan balance was Rmb518.97 million.

Zhoushan Co, a subsidiary of the Company, pledged its rights of toll on expressway for its bank borrowing, and as at December 31, 2023, the remaining bank loan balance was Rmb5,359.90 million.

Management Discussion and Analysis

De'an Co, a subsidiary of the Company, pledged its trade receivables for its bank borrowing, and as at December 31, 2023, the remaining bank loan balance was Rmb466.15 million.

LongLiLiLong Co, a subsidiary of the Company, pledged its right of toll on expressway for its bank and other borrowing, and as at December 31, 2023, the remaining bank loan balance was Rmb4,218.73 million.

Zhajiasu Co, a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, and as at December 31, 2023, the remaining bank loan balance was Rmb1,244.60 million.

HuangQuNan Co, a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, and as at December 31, 2023, the remaining bank loan balance was Rmb2,780.90 million.

Zheshang International Financial Holding Co., Ltd., a subsidiary of the Company, pledged its right of loans to customers arising from margin financing business, and as at December 31, 2023, the remaining bank loan balance was Rmb63.22 million.

Except for the above, as at December 31, 2023, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign Exchange Exposure

During the Period, save for (i) dividend payments to the holders of H Shares in Hong Kong dollars; (ii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong; (iii) issuance of the zero coupon convertible bond with a principal amount of Euro230 million in Hong Kong capital market in January 2021, which will be due in January 2026, such redemption rights were executed at Euro202.6 million on January 20, 2024 and the outstanding Bonds in the principal amount were Euro27.4 million subsequently; (iv) issuance of the senior fixed-rate bonds with a principal amount of USD470 million in Hong Kong capital market in July 2021, which will be due in July 2026 and has an coupon rate of 1.638%; and (v) the rights issue was completed at the end of 2023, the gross proceeds from H Share rights issue are in Hong Kong dollars; the Group's principal operations were transacted and booked in Renminbi.

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

Use of proceeds from convertible bond

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

OUTLOOK

Looking ahead to 2024, risk factors such as geopolitical conflicts, shifts in industrial and supply chains, and trade frictions will continue to disrupt the global economic recovery, coupled with multiple countries facing general elections, the complexity and uncertainty of the global political and economic situation will increase. In the face of a more challenging external environment, the Chinese government will increase its macro-control efforts, coordinate expansion of domestic demand with deepening of supply-side structural reforms, consolidate and enhance the positive momentum of economic recovery. With the introduction and implementation of various policies of ensuring stability in expectations, growth, and employment, it is expected that the Chinese economy will continue to stabilize and rebound in 2024. In this environment of overall economic improvement in China, the overall traffic volume and toll revenue of the expressways under the Group are expected to achieve stable growth.

Management Discussion and Analysis

The Group shall focus on its main responsibilities and businesses, implement service-centered, profit-centered, and brand-centered development strategies. It will fully leverage the function of intelligent expressways, so as to forecast and effectively control traffic flow, and improve the capacity to ensure safety and smoothness. It will also initiate specific action plan to reduce costs, improve quality and efficiency, increase preventive maintenance, and innovate maintenance technologies to enhance low-cost operational capabilities. The Group will continue to expand the service essence of its business brand, accelerate the completion of standardized post-investment management manuals for private-owned expressways with Yonglan Expressway as a model, and enhance its market-oriented management capabilities. In addition, it will take digital empowerment for internal control management as a breakthrough, coordinate the establishment of digital systems, and support business operations to improve efficiency and reduce costs. The Group will also focus on integrating technology research and development with business management, achieve capitalization of digital and technological innovation project investment, and accelerate the transformation and export of innovative achievements.

In 2024, under the guidance of the goal to accelerate promotion for a financially strong country, reforms and opening up of the capital market will further deepen. It is expected that more policies to activate the capital market will be implemented, while stricter regulation will also become more explicit, presenting both opportunities and challenges for the securities industry. Zheshang Securities will take advantage of new market changes and actively seize business opportunities brought by the Beijing Stock Exchange, continuously upgrade its overall business development model, and effectively enhance its ability to serve the real economy. At the same time, it will strengthen business coordination and capital operations, helping Zheshang Securities to accelerate its entry into the ranks of medium to large securities firms nationwide.

Facing the complex domestic and international state of affairs, the Group shall focus on high-quality development, continue to strengthen its core expressways business and improve its securities and financial business. It shall deepen research on policies such as toll collection concession, reconstruction and expansion, and investment and financing to provide strong support for the development of its expressways business. It will also rely on resources along the expressways to expand industries such as expressways-related development and new energy. By strengthening investment through mergers & acquisitions of high-quality expressways projects, the Group will continuously expand its core business. Through systematic planning of expressways reconstruction and expansion, it will facilitate the sustainable development of its core business.

HUMAN RESOURCES

In 2023, the Group adhered to the concept of "Talents are the utmost important resources" throughout the whole process of its human resources work, and performed its responsibilities for talents selection and employment earnestly, promoting the continuous optimization of the talent team structure, effective furthering of the reforms of mechanisms, significant improvement of the per capita effectiveness and efficiency, constant perfection of the systems and institutions, to fulfill the value of human resources effectively and create a sound environment for talents' development.

During the Period, the Group developed and issued documents including the Action Plan for Building a Strong Enterprise Through Talent Development and Creating a First-class Team, specifying the missions and measures for refining the organization, optimizing the team and developing a flexible mechanism. It completed the organization reform and duty optimization, newly established the operation management department, planned for market-oriented development, and reformed the top-level design aiming for continuous optimization. Focusing on benefit-and increment-oriented, it implemented classified performance assessment measures and improved performance-based assessment mechanism for all the staff. The Group also rationalized the compensation incentive system and enhanced fairness in first-time distribution and second-time distribution; continued to refine differentiated distribution, to link compensation with the business volume and contribution of the employees more; and carried out multiple open competitions for posts and exchanges among middle-level cadres from different business lines, different areas and different professions, resulting in the increase of the proportion of young cadres under the age of 35. The Group was successfully selected as a postdoctoral workstation and introduced 25 urgently-needed high-end technical talents, accelerating the gathering of high-level talents; also formulated guidance for building of talent teams, as well as organized training such as benchmark learning and digital enhancement, to gather talents for development of the Group.

As at December 31, 2023, there were 10,653 employees within the Group, amongst whom 5,407 mainly worked in the related positions of the toll road operation business and 5,246 worked in the related positions of the securities business.

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic environment

The current global economy is gradually emerging from the shadows of the COVID-19 pandemic, with recovery becoming the watchword. However, against the backdrop of the unresolved Russia-Ukraine conflict, the reignition of the Israeli-Palestinian conflict, and the escalation of geopolitical tensions, along with the fluctuating dynamics of China-US relations and the resurgence of trade protectionism, the global economy is moving forward with uncertainty. While China's macroeconomic growth continues to recover, it is facing a critical period of transition in growth momentum, compounded by the gradually emerging low-cost advantages of other emerging market economies. The path to industrial upgrading domestically is fraught with multiple pressures from both internal and external sources. From the demand side, the declining global demand for manufactured goods is imposing significant constraints on our export market, making it difficult for the Chinese economy to further improve and recover. Given the close correlation between toll collection operations on expressways and the macroeconomic landscape, the performance of traffic volume and toll revenue on the Group's expressways is also subject to uncertainties.

Roads Competition

The Group's expressways will be negatively impacted by the diversion of traffic from surrounding road networks. The Ningbo-Jinhua Railway opened to traffic at the end of December 2023, and is expected to have a continuous diversionary effect on the traffic volume of the Ningbo-Jinhua Expressway of the Group. The Anhui section of Shanghai-Jiaxing-Huzhou Expressway opened to traffic in early 2024, and is expected to have a sustained negative impact on the traffic volume of the Hanghui Expressway and the Huihang Expressway under our group's jurisdiction. The Hangzhou-Shaoxing-Ningbo Expressway and the Hangzhou-Ningbo Expressway Parallel Line opened to traffic in January 2024, and are expected to have a continuous diversionary effect on the traffic volume of the Hangzhou-Ningbo Expressway and the Zhoushan Bay Bridge operated by the Group. Therefore, we cannot guarantee that the traffic volume and toll revenue of the Group's expressway will not be adversely affected in the future.

Toll Policy

As approved by the Zhejiang Provincial Government, the toll roads across the province continue to implement a 5% discount on tolls for all vehicles with ETC devices, and the state-owned expressway sections within the province continue to implement a 15% discount on tolls for all qualified trucks with ETC in-vehicle device in the province. In February 2024, the Ministry of Transport of the PRC announced the Key Areas of Legal System on Transportation in 2024, indicating that it would implement the revise of the Administrative Regulations on Toll Roads. Accordingly, there are certain possibilities of policy revisions and adjustments in the expressway operation industry. Therefore, there is no assurance that the operating results of the Group's expressway business will not be adversely affected in the future.

SECURITIES BUSINESS RISKS

Market Fluctuations

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

Regulation of the Securities Business

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

FINANCIAL RISKS

For financial risks and uncertainties of the Group, please see notes 6, 52 and 53 to the Consolidated Financial Statements.

Principal Risks and Uncertainties

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

The Directors, whose names and functions are listed on pages 61 to 74, duly confirm that to the best of their knowledge:

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

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

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

By Order of the Board
Tony ZHENG
Company Secretary

Hangzhou, Zhejiang Province, the PRC
March 25, 2024

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

To govern the daily functioning of the Board of Directors of the Company, the Company has adopted its own Guidelines on Corporate Governance that closely followed the principles of good Corporate Governance Code ("CG Code") in Appendix C1 to the Listing Rules (available at www.hkex.com.hk).

During the Period, the Company has complied with all code provisions set out in Part 2 of CG Code and adopted the recommended best practices in the CG Code as and when applicable. The Directors of the Company have been informed that the latest amendment to the Listing Rules and CG Code has been adopted and applied for the daily operation of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Rules on Securities Dealings for the Directors, supervisors, senior management personnel and other employees of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules.

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

Corporate Governance Report

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

The Chairman of the Company during the Period was:
Mr. YUAN Yingjie (Appointed, with effect from August 23, 2023)
Mr. YU Zhihong (Resigned, with effect from August 23, 2023)

The executive Directors of the Company during the Period were:
Mr. WU Wei (Appointed, with effect from September 27, 2023/Appointed as General Manager, with effect from September 7, 2023)
Mr. LI Wei (Appointed, with effect from October 13, 2023)
Mr. YUAN Yingjie (Redesignated as Non-executive Director on September 7, 2023)
Mr. CHEN Ninghui (Resigned, with effect from September 27, 2023)

The non-executive Directors of the Company during the Period were:
Mr. YANG Xudong
Mr. FAN Ye
Mr. HUANG Jianzhang

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

During the Period, the Board held a total of 14 meetings. Individual attendances by the Directors (as indicated by the number of meetings attended/number of relevant meetings held during their tenure) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. YUAN Yingjie (Chairman)	8/14	2/14	4/14
Mr. YU Zhihong (Resigned)	3/9	4/9	2/9
Mr. WU Wei (General Manager)	3/5		2/5
Mr. LI Wei	3/5		2/5
Mr. CHEN Ninghui (Resigned)	5/9	2/9	2/9
Mr. YANG Xudong		10/14	4/14
Mr. FAN Ye	5/14	5/14	4/14
Mr. HUANG Jianzhang	4/14	6/14	4/14
Mr. PEI Ker-Wei	10/14		4/14
Ms. LEE Wai Tsang, Rosa	10/14		4/14
Mr. CHEN Bin		10/14	4/14

Corporate Governance Report

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

	Attendance
Mr. YUAN Yingjie (Chairman)	9/9
Mr. YU Zhihong (Resigned)	5/5
Mr. WU Wei (General Manager)	3/3
Mr. LI Wei	2/2
Mr. CHEN Ninghui (Resigned)	5/5
Mr. YANG Xudong	9/9
Mr. FAN Ye	9/9
Mr. HUANG Jianzhang	9/9
Mr. PEI Ker-Wei	
Ms. LEE Wai Tsang, Rosa	
Mr. CHEN Bin	9/9

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

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

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

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

Pursuant to paragraph 12B of Appendix D2 to the Listing Rules, the Company had specifically inquired with all three independent non-executive Directors and received their respective annual confirmation of independence. Each of the three independent non-executive Directors of the Company confirmed that they and their immediate family members had complied with the requirements of the guidelines regarding independence under Rule 3.13 of the Listing Rules during the Period. The Company continues to consider the independent non-executive Directors to be independent.

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

Corporate Governance Report

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

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

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

CHAIRMAN AND GENERAL MANAGER

During the Period, Mr. YUAN Yingjie served as the Chairman (from which Mr. YU Zhihong has resigned) and Mr. WU Wei served as the General Manager (from which Mr. YUAN Yingjie has resigned) of the Company. The roles of Chairman and General Manager are fully segregated as expressly set out in the Articles of Association.

NON-EXECUTIVE DIRECTORS

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

SPECIAL COMMITTEES UNDER THE BOARD

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

During the Period, Mr. YU Zhihong resigned from the positions as the Chairman, a member of the Nomination Committee and the chairman of the Strategic Committee of the Company on August 23, 2023, Mr. CHEN Ninghui resigned from the positions as an executive Director and a member of the Strategic Committee of the Company on September 27, 2023, Mr. HUANG Jianzhang resigned from the positions as a member of the Audit Committee and the Remuneration Committee of the Company on January 19, 2023, Mr. YUAN Yingjie was appointed as the chairman of the Nomination Committee and the Strategic Committee of the Company on October 31, 2023, and Mr. WU Wei and Mr. LI Wei were appointed as members of the Strategy Committee since 31 October 2023.

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

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

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

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

Corporate Governance Report

The Strategic Committee of the Company mainly comprises of the Chairman of the Board and the two executive Directors, namely Mr. YUAN Yingjie, Mr. WU Wei and Mr. LI Wei as well as Mr. Tony ZHENG, Ms. RUAN Liya, Mr. ZHANG Jingzhong and several outside experts and advisors, of whom Mr. YUAN Yingjie serves as the chairman of the Strategic Committee.

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

	Attendance in person	Attendance by proxy
Mr. PEI Ker-Wei	4/4	
Ms. LEE Wai Tsang, Rosa	4/4	
Mr. CHEN Bin		4/4
Mr. FAN Ye	3/4	1/4
Mr. HUANG Jianzhang	1/4	3/4

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

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

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. YUAN Yingjie			
Mr. YU Zhihong (Resigned)			1/1
Mr. PEI Ker-Wei			3/3
Ms. LEE Wai Tsang, Rosa			3/3
Mr. CHEN Bin			3/3
Mr. FAN Ye			3/3

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

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

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

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

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

DIVERSIFICATION OF BOARD MEMBERS

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

Corporate Governance Report

The Board attaches great importance to female directors, with the gender ratio of male and female members of 89% and 11% respectively. The Board will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. For information on the gender ratio of all employees (including senior management), please refer to the "Growth with Employees" section of in Chapter 4 "Mutual Benefit and Mutual Sharing Promotes Harmony" of the Company's 2023 Environmental, Social and Governance Report.

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

The age distribution of the Board members of the Company is between 42 and 67. The Board members with different age groups can provide diversified sight of views and opinions.

NOMINATION POLICY

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

AUDITORS' REMUNERATION

During the Period, the Company has paid approximately Rmb4.90 million and Rmb1.26 million respectively to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditor) and Zhejiang Pan-China Certified Public Accountants LLP (the PRC auditor), for the audit services they rendered in 2023, the fees for non-audit services were about Rmb3.85 million to the Hong Kong auditor and their network members, and Rmb0.78 million for the PRC auditor and their network members respectively.

SECRETARY TO THE BOARD

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

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

As at December 31, 2023, none of the Directors, Supervisors and General Manager had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Corporate Governance Report

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

As at December 31, 2023, the interests and short positions of other persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

Substantial Shareholders	Capacity	Numbers held in domestic shares of the Company	Percentage of the issued domestic share capital of the Company
Communications Group (Note 1)	Beneficial Owner	4,014,778,800	100%

Note 1: Communications Group, through its wholly-owned subsidiary, Universal Cosmos Limited, indirectly holds 74,999,195 H Shares of the Company, representing 3.79% of the issued H Shares of the Company.

Substantial Shareholders	Capacity	Numbers held in H Shares of the Company	Percentage of the issued H Share capital of the Company
China Merchants Expressway	Beneficial Owner	363,914,280 (L)	18.39%
JPMorgan Chase & Co.	Person having a security interest in shares	172,439,805 (L) 15,820,990 (S) 75,912,273 (P)	8.71% 0.79% 3.83%
BlackRock, Inc.	Interest of controlled corporations	136,757,081 (L) 154,320 (S)	6.91% 0.01%

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

Save as disclosed above, as at December 31, 2023, no other persons had any interests or short positions in the shares or underlying shares of the Company that were required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

SHAREHOLDERS' RIGHTS

According to the Articles of Association of the Company, the shareholders, alone or in aggregate, holding more than 3% of the shares of the Company can make a temporary proposal and submit the same in writing to the convener ten days prior to the date of the general meeting. The convener shall issue a supplementary notice of the general meeting within two days upon the receipt of the proposal, announcing the contents of the temporary proposal. The contents of the temporary proposal shall be within the scope of power of a general meeting, and include a clear subject and specific matters to be resolved, and shall be in compliance with the relevant provisions of laws, administrative regulations and the Articles of Association.

Shareholders who individually or collectively hold more than 10% of the Company's shares may request in writing to convene an extraordinary general meeting.

Written requests, proposals and enquiries may be sent to the Company through the contact details listed on page 339 of this report.

INVESTOR RELATIONS

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

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

Corporate Governance Report

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

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

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

During the Period, the last shareholders' meeting of the Company took place at 10:00 a.m. on Thursday, December 28, 2023 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated December 28, 2023 on resolutions passed at the extraordinary general meeting of the shareholders.

The next shareholders' general meeting of the Company is expected to be held in May 2024 with exact date and matters for consideration to be specified in the notice of the shareholders' general meeting when it is issued.

The Company has an issued share capital of 5,993,498,010 shares comprising of domestic shares and H Shares. The domestic shares are held by Communications Group as to 4,014,778,800 shares, representing approximately 67% of the total issued capital of the Company. The remaining 1,978,719,210 shares are H Shares, representing approximately 33% of the total issued capital of the Company. Communications Group, through its wholly-owned subsidiary, Universal Cosmos Limited, indirectly holds 74,999,195 H Shares of the Company, representing 3.79% of the issued H Shares of the Company. As at the latest practicable date prior to the issue of this annual report, based on the information that is publicly available to the Company and to the best of the Directors' knowledge, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

DIVIDEND POLICY

The Company has been consistently attaching great importance to the return for those shareholders who support the Company's development for a long term, by sharing its development results and maintaining a relatively stable dividend payout level. According to the Company's "Shareholders' Return Plan for the Next Three Years (2023–2025) (《未來三年(2023–2025年)股東回報規劃》)", and subject to compliance with relevant laws and regulations and other regulatory documents, the dividends for the years from 2023 to 2025 shall not be less than 75% of the distributable profits realized for the year (whichever is lower in the statements prepared under China Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards). During the Period, the dividend payout accounted for approximately 94.1% of the distributable profits realized for the year. Details of the dividend payout will be announced after the 2023 annual general meeting of the Company.

Corporate Governance Report

RISK MANAGEMENT, INTERNAL CONTROL AND LEGAL CONSTRUCTION

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

The Company has established an anti-corruption and whistle blowing policy. For details, please refer to "Strengthen Integrity Building" in Chapter 1 "ESG Governance Establishes a Solid Foundation" of the Company's 2023 Environmental, Social and Governance Report.

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

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

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

The Board regularly listened to the Company's rule of legal construction, endeavored to promote the integration of legal corporate governance into the Company's operation and development objectives, and led the implementation of various compliance work and special administration to ensure the legality and compliance of the Company's operation and management.

DISCLOSURE OF INSIDE INFORMATION

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

CHANGES IN THE ARTICLES OF ASSOCIATION

During the Period, the Company has amended its Articles of Association. Pursuant to the announcement of the Company dated October 24, 2023 in relation to the amendments to the Articles of Association and the approval of the resolution in relation to the amendments to the Articles of Association at the general meeting held on November 10, 2023, the Articles of Association which came into effect after such amendments were published on November 10, 2023 on the website of the Hong Kong Stock Exchange.

Corporate Governance Report

MANAGEMENT FUNCTIONS

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

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Since the end of the Period, there has not been any significant event that would have a material impact on the Company.

Directors, Supervisors and Senior Management Profiles

DIRECTORS

Mr. YUAN Yingjie

Chairman

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

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

Mr. Yuan has served as a Director of the Company since 2020 and is currently the Chairman of the Company.

Mr. YU Zhihong

Chairman

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

Starting from 1985, Mr. Yu Zhihong worked at Xiushui Township in Xiucheng District of Jiaxing City as Deputy Manager of Township Industrial Company and Deputy Head of Township, from 1987 successively served as Secretary to Xiucheng District Office, Secretary of the Xiucheng District Youth League, Deputy Party Secretary and Party Secretary of Tanghui Township in Xiucheng District, from 1995 working as Deputy Director, Deputy Party Secretary, Director and then Party Secretary of Management, Committee for the Economic Development Zone of Jiaxing City, from 2005 as Party Secretary of Haining City and as Member of Party Standing Committee of Jiaxing City, from 2010 as Deputy Mayor of Hangzhou City, Party Secretary of Qianjiang New Development Zone's Construction Committee, and then Party Secretary of Xiaoshan District, Member of Party Standing Committee of Hangzhou City, and he became the Deputy Party Secretary and then Mayor of Shaoxing City since 2013. Mr. Yu Zhihong assumed the positions of Chairman and Party Secretary of Communications Group since October 2016, and became Member of Zhejiang Provincial Party Committee since June 2017. Since January 2023, he became a deputy director of the Social Development Affairs Committee of the 14th National People's Congress of Zhejiang Province.

Mr. Yu ceased to be the Chairman of the Company in August 2023.

Directors, Supervisors and Senior Management Profiles

Mr. WU Wei

Executive Director

Born in 1969, is a professorial senior engineer with a Bachelor's Degree.

Mr. Wu started his career in July 1991. He served as Deputy General Manager and General Party Branch Secretary of Zhejiang Communications Construction Group Third Communications Construction Co., Ltd.; General Manager of Zhejiang Communications Construction Group Third Communications Construction Co., Ltd.; Deputy General Manager and Party Committee Member of Zhejiang Communications Construction Group Co., Ltd.* (浙江省交通工程建設集團有限公司); Director, General Manager and Party Committee Member of Zhejiang Communications Construction Group Co., Ltd.; Director, General Manager and Deputy Party Secretary of Zhejiang Communications Construction Group Co., Ltd.* (浙江交工集團股份有限公司, formerly known as 浙江省交通工程建設集團有限公司); Chairman and Party Secretary of Zhejiang Communications Resources Investment Co., Ltd.; Chairman and Party Secretary of Zhejiang Communications Technology Co., Ltd. (stock code: 002061.SZ); Chairman and Party Secretary of Zhejiang Communications Construction Group Co., Ltd..

Mr. Wu has served as an executive Director of the Company since 2023 and is currently the Executive Director, General Manager and Party Secretary of the Company.

Mr. LI Wei

Executive Director

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

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

Mr. Li has served as an executive Director of the Company since 2023 and is currently the Executive Director, Deputy General Manager and a Party Committee Member of the Company.

Mr. CHEN Ning hui

Executive Director

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

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

Mr. Chen ceased to be the Executive Director and Party Secretary of the Company in September 2023.

Mr. YANG Xudong

Non-Executive Director

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

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

Mr. Yang has served as a non-executive Director of the Company since 2022.

Directors, Supervisors and Senior Management Profiles

Mr. FAN Ye

Non-Executive Director

Born in 1982, is an economist. He graduated from Zhejiang University with a Doctoral Degree in Economy.

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

Mr. Fan has served as a non-executive Director of the Company since 2020 and is currently the General Manager of the Strategic Development Department of Communications Group.

Mr. HUANG Jianzhang

Non-Executive Director

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

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

Mr. Huang has served as a non-executive Director of the Company since 2021 and is currently the Deputy General Manager of the Strategic Development Department of Communications Group.

Mr. PEI Ker-Wei

Independent Non-Executive Director

Mr. PEI Ker-Wei, born in 1957, is a Professor Emeritus in Accounting at the School of Accountancy at the W. P. Carey School of Business-Arizona State University. Mr. Pei received his Ph.D. Degree in Accounting from University of North Texas in 1986.

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

Mr. Pei has served as an independent non-executive Director of the Company since 2012 and currently also serves as an Independent Director of Want Want China Holdings Limited (HK 00151), Zhong An Group Limited (HK 00672) and AIM Vaccine Co., Ltd. (HK 06660).

Ms. LEE Wai Tsang, Rosa

Independent Non-Executive Director

Born in 1977, has over 22 years of experience in the financial sector and is a licensed person for asset management under the Securities and Futures Ordinance ("SFO"). She holds a Master of Science in Finance from Boston College and an MBA from University of Chicago.

Ms. Lee was an Executive Director of Grand Investment International Ltd (stock code: 1160) from 2005 to 2018 and was appointed as its Chairman from 2013 to 2017. Ms. Lee also served as a Director of Grand Finance Group Company Ltd from 2005 to 2019 and Chief Investment Officer of Grand Capital Holdings Co Ltd from 2019 to 2023.

Ms. Lee has served as an independent non-executive Director of the Company since 2014 and is currently a Director of Grand Investment (Bullion) Limited, Tianjin Yishang Friendship Holdings Company Ltd and Chief Investment Officer of Xin Yongan International Financial Holdings Limited.

Directors, Supervisors and Senior Management Profiles

Mr. CHEN Bin

Independent Non-Executive Director

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

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

Mr. Chen has served as an independent non-executive Director of the Company since 2018.

Mr. LU Wenwei

Supervisor Representing Shareholders

Born in 1978, is a senior accountant. He graduated from the School of Economics and Management at Zhejiang University of Technology with a Master's Degree in Management.

He began work in January 2004. He served as Auditor and Project Manager of Zhejiang Pan-China Certified Public Accountants; Head of the Financial Management Department of Communications Group; General Manager Assistant, Deputy General Manager and Party Committee Member of Zhejiang Communications Investment Group Finance Co., Ltd.; Deputy General Manager of the Financial Management Department of Communications Group; Deputy General Manager and Party Committee Member of Zhejiang Road Industry City Development Group Co., Ltd..

Mr. Lu is currently the Deputy General Manager (in charge of daily work) of the Financial Management Department of Communications Group.

Ms. LI Yuan

Supervisor Representing Shareholders

Born in 1977, graduated from Shanghai University of Finance and Economics (Shanghai National Accounting Institute) with a Master's Degree in Accounting and is a senior accountant.

Ms. Li started working in 1999. She served as Assistant Department Manager of Zhejiang Pan-China Certified Public Accountants. Then she served as Deputy General Manager of the Financial Management Department, Director of the Audit Department (Comprehensive Supervision Department) and General Manager of the Financial Management Department of Communications Group.

Ms. Li ceased to be the Supervisor Representing Shareholders of the Company in September 2023.

Directors, Supervisors and Senior Management Profiles

Mr. ZHENG Ruchun

Supervisor Representing Shareholders

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

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

Mr. Zheng ceased to be the Supervisor Representing Shareholders of the Company in June 2023.

Mr. LU Xinghai

Supervisor Representing Employees

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

Mr. Lu had served as the Manager of Human Resources Department of Hangzhou Zhongcui Food Co., Ltd.; Deputy Manager of Human Resources Department of the Company and Director of Party Committee Affairs Department (News Center).

Mr. Lu is currently the Consultant of Party Committee Affairs Department (News Center) and a Supervisor Representing Employees of the Company.

Mr. WANG Yubing

Supervisor Representing Employees

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

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

Mr. Wang is currently the Manager of Audit and Legal Department (Comprehensive Supervision Department) and a Supervisor Representing Employees of the Company.

Ms. HE Meiyun

Independent Supervisor

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

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

Directors, Supervisors and Senior Management Profiles

Mr. WU Qingwang

Independent Supervisor

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

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

Other Members of Senior Management

Mr. HAN Jinghua

Born in 1979, graduated from the School of Economics and Management at Zhejiang University of Technology majoring in economics and management with a Master's Degree in Management, and obtained the title of economist.

Mr. Han started his career in July 2006 and served as the secretary to the office of Zhejiang Wenzhou YongTaiWen Expressway Co., Ltd., and joined Communications Group in April 2010, successively served as the assistant to the head of the secretariat of the board of directors, the deputy head, the office deputy head, the head of the secretariat of the board of directors, etc.

Mr. Han has served the Company since 2023 and is currently the deputy secretary of the Party Committee, the secretary of the Discipline Committee and the Chairman of Labor Union of the Company.

Mr. Tony H. ZHENG

Born in 1969, graduated from University of California at Berkeley with a Bachelor of Science Degree in Civil Engineering in 1995.

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

Mr. Zheng is currently the Deputy General Manager and Company Secretary of the Company. He also serves as a Director of Zhejiang Expressway International (Hong Kong) Co., Ltd..

Directors, Supervisors and Senior Management Profiles

Ms. ZHANG Xiuhua

Born in 1969, is a senior economist. Ms. Zhang graduated from Chongqing Jiaotong University majoring in transportation management with a bachelor's degree in science, and obtained a master's degree in business administration from Zhejiang University in 2006.

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

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

Mr. WANG Bingjiong

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

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

Mr. Wang has served the Company since 2019 and is currently the Deputy General Manager and a Party Committee Member of the Company.

Mr. WU Xiangyang

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

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

Mr. Wu has served the Company since 2020 and is currently the Deputy General Manager and Party Committee Member of the Company.

Mr. ZHAO Dongquan

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

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

Mr. Zhao has served the Company since 2022 and is currently the Deputy General Manager and Party Committee Member of the Company.

Directors, Supervisors and Senior Management Profiles

Ms. RUAN Liya

Chief Financial Officer

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

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

Ms. Ruan has served the Company since 2020 and is currently the Chief Financial Officer and Party Committee Member of the Company.

Mr. MA Ting

Chairman of Labor Union

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

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

Mr. Ma ceased to be the Party Committee Member, Secretary of the Disciplinary Inspection Commission and Chairman of the Labor Union of the Company in August 2023.

Report of the Directors

The Directors of the Company hereby present their report and the audited financial statements of the Group for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Company's 2023 Environmental, Social and Governance Report.

SEGMENT INFORMATION

During the Period, the entire revenue and segment profit of the Group were derived from the PRC. Accordingly, no further analysis of the revenue and segment profit by geographical area is presented. An analysis of the Group's revenue and segment profit by principal activities for the year ended December 31, 2023 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2023 and the state of financial position at that date are set out in the financial statements on pages 122 to 338.

The Directors have recommended the payment of a dividend of Rmb0.32 (approximately HK$0.353) per share in the year of 2023. The final dividend is subject to shareholders' approval at the 2023 annual general meeting of the Company and is expected to be paid on or around July 5, 2024. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the consolidated statement of financial position. The dividend payout ratio reached 36.7% of profit attributable to owners of the Company during the Period. Further details of the dividends are set out in note 17 to the financial statements.

Report of the Directors

FIVE YEAR SUMMARY FINANCIAL INFORMATION

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

	Year ended December 31,				
Results	**2023**	2022	2021	2020	2019
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**16,965,024**	15,331,777	16,641,414	12,723,793	12,943,080
Operating costs	**(9,765,685)**	(9,365,125)	(10,069,473)	(8,587,932)	(7,916,255)
Gross profit	**7,199,339**	5,966,652	6,571,941	4,135,861	5,026,825
Securities investment gains	**1,024,960**	679,734	1,835,563	1,611,873	1,402,684
Other income and gains and losses	**907,870**	2,102,751	741,549	432,177	272,840
Administrative expenses	**(183,981)**	(177,405)	(178,197)	(147,971)	(143,820)
Other expenses and impairment losses	**(155,814)**	(137,134)	(63,521)	(375,579)	(125,271)
Share of profit of associates	**1,056,247**	752,086	966,075	688,029	652,824
Share of profit of joint ventures	**107,046**	49,771	56,249	16,282	34,941
Finance costs	**(2,104,129)**	(1,894,394)	(2,075,477)	(2,246,003)	(2,225,151)
Profit before tax	**7,851,538**	7,342,061	7,854,182	4,114,669	4,895,872
Income tax expense	**(1,229,208)**	(1,039,051)	(1,873,961)	(1,160,027)	(1,351,157)
Profit for the year	**6,622,330**	6,303,010	5,980,221	2,954,642	3,544,715
Profit for the year attributable to owners of the Company	**5,223,679**	5,178,666	4,452,488	1,997,450	2,840,934
Profit for the year attributable to non-controlling interests	**1,398,651**	1,124,344	1,527,733	957,192	703,781
Earnings per share					
Basic (Rmb cents)	**112.95**	113.72	97.78	43.86	62.39
Diluted (Rmb cents)	**105.32**	108.33	91.54	43.64	60.69

Assets and liabilities	As at December 31, 2023 Rmb'000	2022 Rmb'000 (Restated)	2021 Rmb'000 (Restated)	2020 Rmb'000 (Restated)	2019 Rmb'000 (Restated)
Total assets	**207,733,802**	190,861,414	181,076,203	140,510,531	116,011,509
Total liabilities	**147,328,689**	141,561,200	137,362,426	104,483,697	88,627,735
Net Assets	**60,405,113**	49,300,214	43,713,777	36,026,834	27,383,774

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2022 have been abstracted from the Company's annual report on March 27, 2023, while those for the year ended December 31, 2023 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on page 122 of the financial report.

2. The 2023 basic earnings per share is based on the profit attributable to owners of the Company for the year ended December 31, 2023 of Rmb5,223,679,000 (2022 (restated): Rmb5,178,666,000) and the 4,624,765,000 (2022 (restated): 4,553,764,000) ordinary shares in issue during the year.

   The 2023 diluted earnings per share is based on the profit for the purpose of diluted earnings per share attributable to owners of the Company for the year ended December 31, 2023 of Rmb5,172,495,000 (2022 (restated): Rmb5,227,061,000) and the 4,911,377,000 (2022 (restated): 4,825,048,000) weighted average number of ordinary shares for the purpose of diluted earnings per share during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases, respectively. The largest customer accounted for approximately 0.6% of total turnover, the largest supplier accounted for approximately 2.2% of total purchases.

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

Report of the Directors

DONATION

During the Period, the total amount of donation made by the Group is Rmb8,604,000 for charitable or other purposes.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Period are set out in note 19 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at December 31, 2023 are set out in note 51 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the Period are set out in the consolidated statement of changes in equity on page 127 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2023, before the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under HKGAAP, amounted to Rmb9,237,208,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb8,094,217,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalization issues.

TRUST DEPOSITS

As at December 31, 2023, other than the deposits placed with a non-bank financial institution of Rmb2,936,333,000 the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

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

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

DIRECTORS

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

CHAIRMAN

Mr. YUAN Yingjie (Appointed, with effect from August 23, 2023)
Mr. YU Zhihong (Resigned, with effect from August 23, 2023)

EXECUTIVE DIRECTORS

Mr. WU Wei (Appointed, with effect from September 27, 2023)
Mr. LI Wei (Appointed, with effect from October 13, 2023)
Mr. YUAN Yingjie (Redesignated as a non-executive Director on September 7, 2023)
Mr. CHEN Ninghui (Resigned, with effect from September 27, 2023)

NON-EXECUTIVE DIRECTORS

Mr. YANG Xudong
Mr. FAN Ye
Mr. HUANG Jianzhang

Report of the Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 61 to 74 in the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Directors have entered into a service agreement with the Company, with effect from July 1, 2021 to June 30, 2024. Directors newly appointed during the session of the Board have entered into service agreements with the Company, with effect from the date of their appointments to June 30, 2024.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at December 31, 2023 or during the Period, none of the Directors or Supervisors or any entity connected with the Directors or Supervisors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

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

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

SHARE CAPITAL

During the Period, due to the implementation of the rights issue project, the Company's issued share capital increased from 4,343,114,500 shares to 5,993,498,010 shares.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

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

Report of the Directors

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

TAXATION AND TAX RELIEF

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

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

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

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

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

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

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

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

The Company purchased appropriate liability insurance coverage for the directors, supervisors and senior management members of the Group during the year ended December 31, 2023 against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers.

AUDITORS

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

By Order of the Board
YUAN Yingjie
Chairman

Hangzhou, Zhejiang Province, the PRC
March 25, 2024

Report of the Supervisory Committee

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

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

During the Period, the Supervisory Committee held a total of two supervisory meetings, and attended ten Board meetings and seven general meetings, and had no objection to the contents of the reports and proposals submitted by the Board of the Company to the general meetings of shareholders for consideration. The Supervisory Committee considered that the Company's operations were in strict compliance with the Company Law, the Company's Articles of Association and the relevant national provisions, that all decision-making procedures were legitimate, and that the Company had sound internal control functions and personnel and all operating activities were regulated in an orderly manner. The Supervisory Committee of the Company supervised the implementation of the resolutions passed at the general meetings of shareholders, and believed that the Board of the Company was able to conscientiously implement the relevant resolutions of general meetings. The management of the Company has earnestly executed the relevant decisions and plans of the Board. The Company has effectively responded to the complex and volatile operating environment, further strengthened the scale and strength of its operations, achieved breakthroughs in the reconstruction and expansion projects, initiated a new mode of market-based mergers and acquisitions of highway assets, and successfully implemented the first equity financing project after listing.

Report of the Supervisory Committee

The Supervisory Committee has reviewed the financial statements of the Company for 2023 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2023, and complied with the relevant laws, regulations and the Company's Articles of Association. The Company maintained a relatively stable dividend payout, providing satisfactory returns to its shareholders.

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

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

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

By the order of the Supervisory Committee
LU Wenwei
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 25, 2024

Connected Transactions

During the year ended December 31, 2023, the Company had the following non-exempt connected transactions and continuing connected transactions.

CONNECTED TRANSACTIONS

1. Underwriting Agreement in relation to the Proposed Listing of ZJIC

On April 6, 2023, Zheshang Securities and Haitong Securities Co., Ltd. (the "Haitong Securities") entered into an underwriting agreement (the "Underwriting Agreement") with ZJIC in relation to the proposed listing of the A shares of ZJIC on the Shenzhen Stock Exchange (the "Listing"). Pursuant to the Underwriting Agreement, Zheshang Securities was engaged as one of the joint lead underwriters to provide underwriting services in respect of the proposed Listing. Pursuant to the Underwriting Agreement, the aggregate underwriting fees that ZJIC has agreed to pay to the joint lead underwriters are 4.9% of the amount of capital raised from the proposed Listing, which is estimated to be Rmb1.5 billion as set out in the prospectus of ZJIC. 55% of the total underwriting fees would be paid to Zheshang Securities, which was estimated to be Rmb40,425,000. Please refer to the announcement of the Company dated April 6, 2023 for details.

Communications Group is a Controlling Shareholder of the Company. ZJIC is a 55.08% owned subsidiary of Communications Group, and is therefore a Connected Person of the Company. As a result, the transaction contemplated under the Underwriting Agreement constituted a connected transaction of the Company.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the respective transactions contemplated under the Underwriting Agreement and the IPO Sponsorship Agreement were entered into or completed within a 12-month period with ZJIC, the transactions contemplated under the Underwriting Agreement and the IPO Sponsor Agreement were required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transaction contemplated under the Underwriting Agreement.

Pursuant to the IPO Sponsor Agreement, Zheshang Securities has been engaged as an IPO sponsor to provide IPO sponsorship services for the proposed Listing. The total amount of sponsorship fee payable by ZJIC to Zheshang Securities for the proposed Listing amounted to Rmb825,000.

Connected Transactions

As the highest applicable percentage ratio in respect of the underwriting fee receivable by Zheshang Securities under the transaction contemplated under the Underwriting Agreement, after aggregating with the transaction under the IPO Sponsor Agreement, was more than 0.1% but less than 5%, the transaction contemplated under the Underwriting Agreement was therefore subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Construction Agreements for Expansion of Shengzhou Service Area and Jiaxing Service Area

On April 18, 2023, Shangsan Co and Jiaxing Branch entered into the construction agreements (the "Construction Agreements", which consist of the Shengzhou Service Area Construction Agreement and the Jiaxing Service Area Construction Agreement), with Jiaogong Underground Construction as the contractor. Pursuant to the Construction Agreements, Jiaogong Underground Construction agreed to undertake the construction work for the expansion of Shengzhou Service Area and Jiaxing Service Area at the considerations of Rmb71,203,199 and Rmb53,385,933, respectively. All construction work under the Shengzhou Service Area Construction Agreement and the Jiaxing Service Area Construction Agreement shall be completed within 304 calendar days and 243 calendar days respectively from the commencement date as instructed by the supervisor, followed by a defect liability period of two years. Please refer to the announcements of the Company dated April 18, 2023 and April 25, 2023 for details.

Jiaogong Underground Construction is an indirect non-wholly owned subsidiary of Communications Group and is therefore a Connected Person of the Company. As a result, the transactions contemplated under the Construction Agreements constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the respective transactions contemplated under the Construction Agreements were required to be aggregated with a previous transaction (the "Previous Transaction") entered into by Jiaxing Branch and among others, Jiaogong Underground Construction and Jiaogong Group being the consortium as the contractor on May 13, 2022 in relation to the construction work for the renovation of Jiaxing Service Area Plaza of Shanghai-Hangzhou Expressway, for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Construction Agreements.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Construction Agreements, after aggregating with the Previous Transaction, were more than 0.1% but less than 5%, the transactions contemplated under the Construction Agreements were subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Design and Construction Agreements with ZJIC

On September 22, 2023, relevant management offices and subsidiaries of the Company entered into the following design and construction agreements (the "Design and Construction Agreements") with ZJIC respectively:

(i) the road comprehensive improvement project agreements (the "Road Comprehensive Improvement Project Agreements"), pursuant to which ZJIC was engaged to improve the road safety of Jiaxing Section of Shanghai-Hangzhou Expressway, construct facilities to reduce driving fatigue of certain parts of Zhajiasu Expressway, and construct remote traffic congestion warning facilities of certain parts of Jiaxing Section of Shanghai-Hangzhou Expressway at the consideration of Rmb4,117,364.00. The term of the road safety improvement project under the Road Comprehensive Improvement Project Agreements is 45 days of service period plus 1 month of trial operation period and 24 months of defect liability period while the term of the anti-fatigue and prevention of traffic congestion project thereunder is 45 days of service period plus 1 month of trial operation period and 12 months of defect liability period;

Connected Transactions

(ii) the landscape lighting upgrade project agreement (the "Landscape Lighting Upgrade Project Agreement"), pursuant to which ZJIC was engaged to upgrade the landscape lighting of Zhoushan Bay Bridge at the consideration of Rmb1,484,584.44. The term of the Landscape Lighting Upgrade Project Agreement is 45 days of service period plus 3 months of trial operation period and 24 months of defect liability period;

(iii) the provincial border interchange hub intervention system project agreements (the "Provincial Border Interchange Hub Intervention System Project Agreements"), pursuant to which ZJIC was engaged to install intervention system for abnormal vehicles at the provincial or municipal entrance of Fengjing Section and Shenshi Junction Section of Shanghai-Hangzhou Expressway and Wangjiangjing Section of Zhajiasu Expressway at the consideration of Rmb2,871,989.00. The term of the Provincial Border Interchange Hub Intervention System Project Agreements is 45 days of service period plus 12 months of defect liability period;

(iv) the electromechanical system upgrade design project agreement (the "Electromechanical System Upgrade Design Project Agreement"), pursuant to which ZJIC was engaged to provide construction design for upgrade of the electromechanical system of LongLiLiLong Expressway at the consideration of Rmb1,120,396.00. The term of the Electromechanical System Upgrade Design Project Agreement is 1 month of survey and design period plus 11 months of follow-up service period;

(v) the curved section and tunnel safety improvement project agreements (the "Curved Section and Tunnel Safety Improvement Project Agreements"), pursuant to which ZJIC was engaged to install roadside perception systems for the curved sections and install traffic safety facilities to the tunnels of Jinhua Section of Ningbo-Jinhua Expressway at the consideration of Rmb2,969,019.00. The term of the Curved Section and Tunnel Safety Improvement Project Agreements is 60 days of service period plus 24 months of defect liability period;

(vi) the traffic congestion improvement project agreement (the "Traffic Congestion Improvement Project Agreement"), pursuant to which ZJIC was engaged to install certain facilities for improvement of road capacity to Ningbo Section of Hangzhou-Ningbo Expressway at the consideration of Rmb1,143,580.00. The term of the Traffic Congestion Improvement Project Agreement is 3 months of service period plus 24 months of defect liability period; and

(vii) the lane for Asian Games project agreement (the "Lane for Asian Games Project Agreement"), pursuant to which ZJIC was engaged to set up a dedicated lane for the Asian Games from Xiaoshan to Shaoxing Section of Hangzhou-Ningbo Expressway, including installation of facilities such as signage, road markings and ground decals to the lane for Asian Games to ensure priority access for vehicles of the Asian Games at the consideration of Rmb634,524.00. The term of the Lane for Asian Games Project Agreement is 40 days of service period plus 24 months of defect liability period.

Please refer to the announcement of the Company dated September 22, 2023 for details.

ZJIC is a 55.08% owned subsidiary of Communications Group, and is therefore a Connected Person of the Company. As a result, the transactions contemplated under the Design and Construction Agreements constituted connected transactions of the Company.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the respective transactions contemplated under the Design and Construction Agreements were required to be aggregated with a total of 11 previous transactions (the "Previous Transactions with ZJIC") in relation to the provision of expressway related design and construction services entered into or completed within a 12-month period prior to the date of the Design and Construction Agreements between the Group and ZJIC for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Design and Construction Agreements.

Connected Transactions

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Design and Construction Agreements, after aggregating with the Previous Transactions with ZJIC, were more than 0.1% but less than 5%, the transactions contemplated under the Design and Construction Agreements were subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Proposed Acquisition of 15% Interest in Wenzhou YongTaiWen Co and Proposed Acquisition of the Entire Interest in HuangQuNan Co

On September 28, 2023, the Company and Communications Group entered into an equity purchase agreement (the "YongTaiWen Equity Purchase Agreement"), pursuant to which Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire 15% equity interest in Wenzhou YongTaiWen Co at the consideration of Rmb816,150,000 (the "YongTaiWen Acquisition"). On the same day, LongLiLiLong Co and Communications Group entered into an equity purchase agreement (the "HuangQuNan Equity Purchase Agreement"), pursuant to which Communications Group conditionally agreed to sell and LongLiLiLong Co conditionally agreed to acquire the entire equity interest in HuangQuNan Co at the consideration of Rmb16,700,000 (the "HuangQuNan Acquisition"). Please refer to the announcements of the Company dated September 28, 2023 and October 9, 2023 for details.

Communications Group is a Controlling Shareholder of the Company and is therefore a Connected Person of the Company. As a result, each of the YongTaiWen Acquisition and the HuangQuNan Acquisition constitutes a connected transaction for the Company. As one or more of the applicable percentage ratios in respect of each of the YongTaiWen Acquisition and HuangQuNan Acquisition were more than 0.1% but less than 5%, each of the YongTaiWen Acquisition and HuangQuNan Acquisition was subject to the reporting and announcement requirements but exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Agreements with Zhejiang Information and Construction Agreement with Jiaogong Underground Construction

i. The Agreements with Zhejiang Information

On October 27, 2023, the Company and its relevant subsidiaries entered into the following agreements (the "Agreements") with Zhejiang Information to engage Zhejiang Information for the provision of a series of services to (i) under the expressway surveillance system improvement agreements (the "Expressway Surveillance System Improvement Agreements", consisting of the Expressway Surveillance System Improvement Project and the Emergency Response Integration Service Platform Project), enhance the expressway surveillance system and establish the emergency response integration service platform at the consideration of Rmb9,607,510.29. The term of the Expressway Surveillance System Improvement Project thereunder is 30 days of service period plus 24 months of general defect liability period and 60 months of defect liability period for key component. The delivery date for the Emergency Response Integration Service Platform Project is November 30, 2023 with 24 months of warranty period; (ii) under the electromechanical system improvement agreements (the "Electromechanical System Improvement Agreements"), provide renovations services of the electromechanical equipment and facilities for certain sections of the expressways owned by the Group at the consideration of Rmb1,237,880. The term of the Electromechanical System Improvement Agreements is 60 days or 120 days of service period (where applicable) plus 24 months of general defect liability period and 60 months of defect liability period for key component; and (iii) under the safety and emergency management system project agreements (the "Safety and Emergency Management System Project Agreements"), establish the safety and emergency management system at the consideration of Rmb1,000,000. The term of the Safety and Emergency Management System Project Agreements is 4 months of service period plus 1 month of trial operation period and 12 months of warranty period. Please refer to the announcement of the Company dated October 27, 2023 for details.

Connected Transactions

Zhejiang Information, as a 65.85% owned subsidiary of Communications Group, is a Connected Person of the Company. As a result, the transactions contemplated under the Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the respective transactions contemplated under the Agreements were required to be aggregated with a series of agreements entered into or completed within a 12-month period prior to the date of the Agreements between or among the Company and its subsidiaries and Zhejiang Information in relation to information technology services and mechanical and electrical engineering services (the "Previous Transactions with Zhejiang Information") for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Agreements.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Agreements, after aggregating with the Previous Transactions with Zhejiang Information, were more than 0.1% but less than 5%, the transactions contemplated under the Agreements were subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

ii. The Construction Agreement with Jiaogong Underground Construction

On October 27, 2023, Jiaxing Branch entered into a construction agreement (the “Construction Agreement”) with Jiaogong Underground Construction in addition to the Jiaxing Service Area Construction Agreement dated April 18, 2023, to specify the rights and obligations in respect of construction of projects in certain parts of the north section of Jiaxing Service Area which is within a 30-meter range adjacent to the Shanghai-Kunming High-Speed Railway with a term of 60 calendar days upon signing the Construction Agreement. The contract price in relation to the Construction Agreement is Rmb12,781,853. Please refer to the announcement of the Company dated October 27, 2023 for details.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, as the transaction contemplated under the Construction Agreement and transactions under the Construction Agreements dated April 18, 2023 (the “Previous Construction Agreements”) were entered into or completed within a 12-month period with Jiaogong Underground Construction, a Connected Person of the Company, the transaction contemplated under the Construction Agreement and transactions under the Previous Construction Agreements were required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transaction contemplated under the Construction Agreement.

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Construction Agreement, after aggregating with those transactions under the Previous Construction Agreements, were more than 0.1% but less than 5%, the transaction contemplated under the Construction Agreement was subject to the reporting and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Connected Transactions

6. **Formation of the Joint Venture**

On November 24, 2023, the Company and China Merchants Expressway, a Connected Person of the Company at the subsidiary level, entered into a joint venture agreement (the "JV Agreement"), pursuant to which the parties agree to form a joint venture (the "Joint Venture") in the PRC for the purpose of the acquisition of 60% equity interest in Yonglan Co. Pursuant to the JV Agreement, each of the Company and China Merchants Expressway makes a capital contribution of RMB1,341.6 million, each representing 50% of the total capital contribution of the Joint Venture. The total capital contribution of the Joint Venture shall be RMB2,683.2 million where the registered capital of the Joint Venture shall be RMB100 million and the remaining of the capital contribution by the parties shall be included in the capital reserve. As the Joint Venture is owned as to 50% each by the Company and China Merchants Expressway upon establishment, it is not be a subsidiary of the Company and its financial results is not to be consolidated into the financial statements of the Group. Please refer to the announcements of the Company dated November 24, 2023 and November 30, 2023 for details.

As one or more of the percentage ratios applicable to the formation of the Joint Venture exceeded 5% and were less than 25%, formation of the Joint Venture constitutes a disclosable transaction for the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

China Merchants Expressway is a substantial shareholder of Shangsan Co which is a subsidiary of the Company. Therefore, China Merchants Expressway is a Connected Person of the Company at subsidiary level and as a result, formation of the Joint Venture constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, as (i) China Merchants Expressway is a Connected Person of the Company at subsidiary level; (ii) the Board has approved formation of the Joint Venture under the JV Agreement; and (iii) the independent non-executive Directors have confirmed that terms of the JV Agreement are fair and reasonable, the JV Agreement is on normal commercial terms or better and in the interests of the Company and Shareholders as a whole, the JV Agreement and formation of the Joint Venture contemplated thereunder were subject to the reporting and announcement requirements but were exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

1. Deposit Services with Zhejiang Communications Finance

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

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

Connected Transactions

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

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

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

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

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

During the Period, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance under the New Financial Services Agreement together with the Financial Services Supplemental Agreement amounted to Rmb2,977,865,000.

2. Expressway Mechanical and Electrical System Maintenance Agreements

On May 31, 2021, LongLiLiLong Co, entered into the expressway mechanical and electrical system maintenance agreements with Zhejiang Information (the "Expressway Mechanical and Electrical System Maintenance Agreements"), pursuant to which LongLiLiLong Co agreed to purchase, and Zhejiang Information agreed to provide, certain expressway mechanical and electrical system maintenance services. The term of the Expressway Mechanical and Electrical System Maintenance Agreements is for three years ending May 30, 2024. The annual service fees payable by LongLiLiLong Co to Zhejiang Information would be Rmb4,829,647.84, which amount to Rmb14,488,943.52 in total for three years. The annual cap on the aggregate service fees payable by LongLiLiLong Co under Expressway Mechanical and Electrical System Maintenance Agreements was Rmb5,000,000. Please refer to announcement of the Company dated May 31, 2021 for details.

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

Connected Transactions

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

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

During the Period, the total annual service fees payable by LongLiLiLong Co to Zhejiang Information under the Expressway Mechanical and Electrical System Maintenance Agreements amounted to Rmb3,476,000.

3. Entrusted Management Agreements

i. 2021 Entrusted Management Agreements

On December 13, 2021, the Company entered into the entrusted management agreements with branch and subsidiaries of the Communications Group (the "2021 Entrusted Management Agreements"), pursuant to which each of Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co shall entrust the Company to take over the operation and management of (i) Zhejiang Section of the Shensuzhewan Expressway, (ii) Xiwu to Xinwu Section of Ningbo Yongtaiwen Expressway; and (iii) South Connection of Qianjiang Channel, respectively. The term of the 2021 Entrusted Management Agreement is 3 years. Please refer to announcement of the Company dated December 13, 2021 for details.

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

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

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

During the Period, the total entrusted management service fees received by the Company under the 2021 Entrusted Management Agreements amounted to Rmb8,690,000.

Connected Transactions

ii. 2022 Entrusted Management Agreements

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

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

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

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

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

During the Period, the total entrusted management fees received by the Company under the Entrusted Management Agreements with North Channel Co and Jiaxiao Co amounted to Rmb1,774,000.

b. Entrusted Management Agreement with Hangxuan Co

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

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

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

Connected Transactions

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

During the Period, the total entrusted management fee received by the Company under the Entrusted Management Agreement with Hangxuan Co amounted to Rmb1,305,000.

iii. 2023 Entrusted Management Agreement

On August 23, 2023, the Company entered into an entrusted management agreement (the "2023 Entrusted Management Agreement") with HangNing Co, pursuant to which HangNing Co shall entrust the Company to take over the operation and management of the Zhejiang Section of the HangNing Expressway. The term of 2023 Entrusted Management Agreement is three years ending August 13, 2026. Please refer to announcement of the Company dated August 23, 2023 for details.

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set an annual cap on the total amount of the entrusted management service fee receivable by the Company under the 2023 Entrusted Management Agreement. The proposed annual cap on the entrusted management service fee of the 2023 Entrusted Management Agreement for each of the three years ending August 13, 2026 shall not exceed Rmb5,400,000.

HangNing Co is a non-wholly owned subsidiary of Communications Group. Therefore, HangNing Co is a Connected Person of the Company and as a result, the transaction contemplated under the 2023 Entrusted Management Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the transaction contemplated under the 2023 Entrusted Management Agreement was required to be aggregated with the respective transactions carried out on a continuing basis under the agreements with respect to seven transactions entered into between the Company and the associates of the same Connected Person (i.e. the Communications Group) in relation to the provision of entrusted management services of expressways (the "Previous Agreements").

As the highest applicable percentage ratio in respect of the aggregated annual cap for transaction contemplated under the 2023 Entrusted Management Agreement and the respective transactions carried out on a continuing basis under the Previous Agreements was more than 0.1% but less than 5%, the transaction contemplated under the 2023 Entrusted Management Agreement was subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total entrusted management fee received by the Company under the 2023 Entrusted Management Agreement with HangNing Co amounted to Rmb2,382,000.

Connected Transactions

4. Framework Agreement

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

Zheshang Development is a 44.55% owned associate of Communications Group and Zhejiang Zheqi is an indirect non-wholly owned subsidiary of the Company. Therefore, Zheshang Development is a Connected Person of the Company. As a result, the transactions contemplated under the Framework Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

During the Period, the total amount of (i) the bulk commodity sale transactions; (ii) the bulk commodity purchase transactions; and (iii) the OTC derivatives transactions under the Framework Agreement amounted to Rmb402,381,000, Rmb223,481,000 and Rmb1,195,595,000, respectively.

5. Road Maintenance Agreements

i. 2023 Daily Road Maintenance Agreements

On January 10, 2023, the Company and its various subsidiaries and LongLiLiLong Co entered into the following agreements:

a. Daily Road Maintenance Agreements (First to Third Contract Sections)

On January 10, 2023, the Company and its various subsidiaries entered into a series of Daily Road Maintenance Agreements (First to Third Contract Sections) with Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang, respectively, pursuant to which, each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang agreed to undertake the daily road maintenance projects in respect of the relevant expressway as specified therein operated by the Group, respectively. The term of the Daily Road Maintenance Agreements (First to Third Contract Sections) is three years ending December 31, 2025. The total service fees payable by the Group for the maintenance services under the Daily Road Maintenance Agreements (First to Third Contract Sections) amounted to Rmb401,655,846. Please refer to the announcement of the Company dated January 10, 2023 for details.

b. Daily Road Maintenance Agreement (Fourth Contract Section)

On January 10, 2023, LongLiLiLong Co entered into the Daily Road Maintenance Agreement (Fourth Contract Section) with Zhejiang Shunchang, pursuant to which, Zhejiang Shunchang agreed to undertake the daily road maintenance projects in respect of the relevant expressway as specified therein owned by the Group. The term of the Daily Road Maintenance Agreements (Fourth Contract Section) is three years ending December 31, 2025. The total service fees payable by the Group for the maintenance services under the Daily Road Maintenance Agreements (First to Third Contract Sections) amounted to Rmb81,273,948. Please refer to the announcement of the Company dated January 10, 2023 for details.

Connected Transactions

Each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is an indirect subsidiary of Communications Group. As such, each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is a Connected Person of the Company. Therefore, the respective transactions contemplated under the Daily Road Maintenance Agreements (First to Third Contract Sections) and Daily Road Maintenance Agreement (Fourth Contract Section) (collectively the "2023 Daily Road Maintenance Agreements") constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.53 of the Listing Rules, the Company was required to set an annual cap on the total amount of the 2023 Daily Road Maintenance Agreements payable by the Group. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the 2023 Daily Road Maintenance Agreements were required to be aggregated. In aggregate, the proposed annual cap on the aggregate service fees payable by the Group under the 2023 Daily Road Maintenance Agreements for each of the three years ending December 31, 2025 is Rmb163,000,000.

During the Period, the total service fees paid by the Group under the 2023 Daily Road Maintenance Agreements amounted to Rmb110,056,000.

ii. 2023 Dedicated Road Maintenance Agreements

On April 25, 2023, the Company and its various subsidiaries and LongLiLiLong Co entered into the following agreements:

a. *The Dedicated Road Maintenance Agreements (First to Third Contract Sections)*

On April 25, 2023, the Company and its various subsidiaries entered into a series of dedicated road maintenance agreements (First to Third Contract Sections) (the "Dedicated Road Maintenance Agreements (First to Third Contract Sections)") with Maintenance Co, Zhejiang Shunchang and Jiaogong Maintenance, respectively, pursuant to which, each of Maintenance Co, Zhejiang Shunchang and Jiaogong Maintenance agreed to undertake the dedicated road maintenance projects in respect of the relevant expressways as specified therein operated by the Group, respectively. The term for the Dedicated Road Maintenance Agreements (First to Third Contract Sections) is eight months from the commencement date as specified by the project supervisor. The total service fees payable by the Group for the maintenance services under the Dedicated Road Maintenance Agreements (First to Third Contract Sections) amounted to Rmb363,627,382. Please refer to the announcement of the Company dated April 25, 2023 for details.

Connected Transactions

b. *The Dedicated Road Maintenance Agreement (Third Contract Section of LongLiLiLong Expressway)*

On April 25, 2023, LongLiLiLong Co entered into the dedicated road maintenance agreement (Third Contract Section of LongLiLiLong Expressway) (the "Dedicated Road Maintenance Agreement (Third Contract Section of LongLiLiLong Expressway)") with Jiaogong Maintenance, pursuant to which, Jiaogong Maintenance agreed to undertake the dedicated road maintenance projects in respect of the relevant expressways as specified therein owned by the Group. The term for the Dedicated Road Maintenance Agreement (Third Contract Section of LongLiLiLong Expressway) is 214 calendar days commencing from the date as instructed by the supervisor of the project. The total service fees payable by LongLiLiLong Co for the maintenance services under the Dedicated Road Maintenance Agreement (Third Contract Section of LongLiLiLong Expressway) was Rmb64,130,397. Please refer to the announcement of the Company dated April 25, 2023 for details.

Each of Maintenance Co, Zhejiang Shunchang and Jiaogong Maintenance is an indirect subsidiary of Communications Group. Therefore, each of Maintenance Co, Zhejiang Shunchang and Jiaogong Maintenance is a Connected Person of the Company and as a result, the respective transactions contemplated under the 2023 Dedicated Road Maintenance Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the 2023 Dedicated Road Maintenance Agreements were required to be aggregated with the respective transactions contemplated under the 2023 Daily Road Maintenance Agreements which were continuing connected transactions entered into with the associates of the same Connected Person (i.e. Communications Group) and are of the same nature.

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set an annual cap on the total amount of service fees under the 2023 Dedicated Road Maintenance Agreements payable by the Group. For the financial year ending December 31, 2023, the proposed annual cap on the aggregate service fees under the Dedicated Road Maintenance Agreements (First to Third Contract Sections) payable by the Group is RMB370,000,000 and the proposed annual cap on the aggregate service fees under the Dedicated Road Maintenance Agreement (Third Contract Section of LongLiLiLong Expressway) payable by LongLiLiLong Co is RMB65,000,000. The proposed annual cap of the aggregate service fees under the 2023 Dedicated Road Maintenance Agreements payable by the Group for the financial year ending December 31, 2023 is Rmb435,000,000.

As one or more of the applicable percentage ratios in respect of the annual cap for transactions contemplated under the 2023 Dedicated Road Maintenance Agreements after aggregating with that of the 2023 Daily Road Maintenance Agreements, were more than 0.1% but less than 5%, the transactions contemplated under the 2023 Dedicated Road Maintenance Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total service fees paid by the Group under the Dedicated Road Maintenance Agreements (First to Third Contract Sections) amounted to Rmb349,112,000 and the total service fees paid by the Group under the Dedicated Road Maintenance Agreement (Third Contract Section of LongLiLiLong Expressway) amounted to Rmb59,416,000.

Connected Transactions

iii. 2023 Road Maintenance Agreements

On November 10, 2023, the various subsidiaries of the Company entered into several road maintenance agreements (the "2023 Road Maintenance Agreements") with Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to undertake maintenance services to Jinhua Section of Ningbo-Jinhua Expressway and Shangsheng Section of Shangsan Expressway which would be affected by Jinhua-Ningbo Railway. The service shall commence from the date as specified by the project supervisor and the projects shall be delivered prior to December 30, 2023. The total service fees payable by the Group to Zhejiang Shunchang would be Rmb18,288,360. Please refer to the announcement of the Company dated November 10, 2023 for details.

In accordance with Rule 14A.53 of the Listing Rules, the Company was required to set an annual cap on the total amount of the service fees under the 2023 Road Maintenance Agreements payable by the Group. The proposed annual cap on the aggregate service fees under the 2023 Road Maintenance Agreements payable by the Group for the financial year ending December 31, 2023 is Rmb19,000,000.

As an indirect non-wholly owned subsidiary of Communications Group, Zhejiang Shunchang is a Connected Person of the Company and as a result, the respective transactions contemplated under the 2023 Road Maintenance Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the 2023 Road Maintenance Agreements were required to be aggregated with the respective transactions under the 2023 Daily Road Maintenance Agreements and the 2023 Dedicated Road Maintenance Agreements, which were continuing connected transactions entered into with the associate of the same Connected Person (i.e. Communications Group) and are of the same nature.

As one or more of the applicable percentage ratios in respect of the annual cap for transactions contemplated under the 2023 Road Maintenance Agreements after aggregating with those of the 2023 Daily Road Maintenance Agreements and the 2023 Dedicated Road Maintenance Agreements were more than 0.1% but less than 5%, the transactions contemplated under the 2023 Road Maintenance Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total service fees paid by the Group under the 2023 Road Maintenance Agreements amounted to Rmb17,365,000.

6. The Guardrail Agreements

On November 29, 2023, the Company and its various subsidiaries entered into several guardrail agreements (the "Guardrail Agreements") with Maintenance Co, Zhejiang Shunchang and Jiaogong Maintenance respectively, pursuant to which (i) Maintenance Co agreed to undertake the guardrail upgrade and revamp projects in respect of two expressways operated by the Group, namely Hangzhou Section of Shanghai-Hangzhou-Ningbo Expressway and Hanghui Expressway at the consideration of Rmb50,050,835; (ii) Zhejiang Shunchang agreed to undertake the guardrail upgrade and revamp projects in respect of three expressways operated by the Group, namely Shaoxing Section of Shanghai-Hangzhou-Ningbo Expressway, Shangsheng Section and Xintian Section of Shangsan Expressway and Jinhua Section of Ningbo-Jinhua Expressway at the consideration of Rmb111,374,164; and (iii) Jiaogong Maintenance agreed to undertake the guardrail upgrade and revamp projects in respect of three expressways operated by the Group, namely Ningbo Section and Jiaxing Section of Shanghai-Hangzhou-Ningbo Expressway, Zhoushan Bay Bridge, and Jiaxing Section of Zhajiasu Expressway at the consideration of Rmb57,854,069. All the construction work shall be completed prior to December 31, 2023. Please refer to the announcement of the Company dated November 29, 2023 for details.

Connected Transactions

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set an annual cap on the total amount of the service fees under the Guardrail Agreements payable by the Group. The proposed annual cap on the aggregate service fees of the Guardrail Agreements payable by the Group for the financial year ending December 31, 2023 is Rmb220,000,000.

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

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

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

During the Period, the total service fees paid by the Group under the Guardrail Agreements amounted to Rmb219,737,000.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

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

OPINION

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 122 to 338, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	**How our audit addressed the key audit matter**
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities, which invested by the Group's securities operation segment (defined in Note 8), as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as fund manager in various structured entities including collective asset management schemes, investment funds and limited partnership enterprises. As disclosed in Note 6 to the consolidated financial statements , to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates the Group controlled the structured entities.	Our procedures in relation to the management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities (Continued)	
As disclosed in Notes 45 and 59 to the consolidated financial statements, as at December 31, 2023, the total assets of the consolidated structured entities amounted to Rmb2,631,450 thousands and the total assets of the unconsolidated structured entities managed by the Group's securities operation segment amounted to Rmb106,058,993 thousands, respectively.	

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	NOTES	12/31/2023 Rmb'000	12/31/2022 Rmb'000 (Restated)
Revenue	7	**16,965,024**	15,331,777
Including: interest income under effective interest method		**2,452,400**	2,390,436
Operating costs		**(9,765,685)**	(9,365,125)
Gross profit		**7,199,339**	5,966,652
Securities investment gains	9	**1,024,960**	679,734
Other income and gains and losses	10	**907,870**	2,102,751
Administrative expenses		**(183,981)**	(177,405)
Other expenses		**(125,190)**	(125,349)
Impairment losses under expected credit loss model, net of reversal	11	**(30,624)**	(11,785)
Share of profit of associates		**1,056,247**	752,086
Share of profit of joint ventures		**107,046**	49,771
Finance costs	12	**(2,104,129)**	(1,894,394)
Profit before tax	13	**7,851,538**	7,342,061
Income tax expense	14	**(1,229,208)**	(1,039,051)
Profit for the year		**6,622,330**	6,303,010
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income		**51,272**	(9,055)
Impairment loss for debt instruments at fair value through other comprehensive income		**867**	1,108
Income tax impact relating to items that may be reclassified subsequently to profit or loss		**(13,035)**	1,987
Exchange differences on translation of financial statements of foreign operations		**3,907**	21,787
Share of other comprehensive income/(loss) of an associate, net of related income tax		**86,812**	(736)
Other comprehensive income for the year, net of income tax		**129,823**	15,091
Total comprehensive income for the year		**6,752,153**	6,318,101

	NOTES	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)
Profit for the year attributable to:			
Owners of the Company		**5,223,679**	5,178,666
Non-controlling interests		**1,398,651**	1,124,344
		6,622,330	6,303,010
Total comprehensive income attributable to:			
Owners of the Company		**5,327,819**	5,184,248
Non-controlling interests		**1,424,334**	1,133,853
		6,752,153	6,318,101
Earnings per share	18		
Basic (Rmb cents)		**112.95**	113.72
Diluted (Rmb cents)		**105.32**	108.33

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	12/31/2023 Rmb'000	12/31/2022 Rmb'000 (Restated)	01/01/2022 Rmb'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	19	6,202,021	5,912,826	5,530,838
Right-of-use assets	20	934,837	621,953	666,686
Expressway operating rights	21	21,012,910	23,674,743	30,253,704
Goodwill	22	86,867	86,867	86,867
Other intangible assets	23	388,384	347,400	303,506
Interests in associates	25	11,491,055	10,059,641	9,675,046
Interests in joint ventures	26	1,497,891	440,345	440,574
Financial assets at fair value through profit or loss ("FVTPL")	27	189,527	209,439	363,878
Debt instruments at fair value through other comprehensive income ("FVTOCI")	28	7,718,725	570,257	–
Other receivables and prepayments	31	854,473	1,118,363	1,216,289
Financial assets held under resale agreements	32	–	189,000	10,000
Deferred tax assets	47	1,446,067	1,416,809	1,617,799
Time deposits	34	3,048,619	–	–
		54,871,376	44,647,643	50,165,187
CURRENT ASSETS				
Inventories		1,306,370	606,285	371,714
Trade receivables	29	831,478	562,884	475,199
Loans to customers arising from margin financing business	30	19,934,761	17,557,268	19,394,130
Other receivables and prepayments	31	5,990,540	3,350,918	1,379,476
Dividends receivable		1,631	44	128
Derivative financial assets	39	1,279,110	1,000,756	613,718
Financial assets at FVTPL	27	41,729,113	43,789,944	45,445,711
Debt instruments at fair value through other comprehensive income	28	445,173	250,683	–
Financial assets held under resale agreements	32	7,729,402	6,086,210	7,078,206
Bank balances and clearing settlement fund held on behalf of customers	33	45,415,217	48,744,803	38,392,804
Bank balances, clearing settlement fund, deposits and cash				
– Restricted bank balances and cash	34	100,631	70,179	132,090
– Time deposits with original maturity over three months	34	4,268,560	203,632	413,843
– Cash and cash equivalents	34	23,830,440	23,990,165	17,213,997
		152,862,426	146,213,771	130,911,016

	NOTES	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
CURRENT LIABILITIES				
Placements from other financial institutions	35	**1,950,000**	700,000	500,000
Accounts payable to customers arising from securities business	36	**44,803,323**	48,449,595	38,069,350
Trade payables	37	**1,265,174**	1,220,832	1,453,998
Tax liabilities		**654,107**	419,684	1,305,228
Other taxes payable		**232,461**	379,334	920,106
Other payables and accruals	38	**13,954,591**	8,924,553	5,921,353
Dividends payable		**168,573**	–	–
Contract liabilities		**104,000**	161,381	204,214
Derivative financial liabilities	39	**996,027**	554,357	451,368
Bank and other borrowings	40	**4,593,399**	5,054,083	2,451,507
Short-term financing note payable	41	**2,137,611**	3,567,025	7,940,702
Bonds payable	42	**5,404,107**	7,118,247	10,455,661
Convertible bonds	43	**1,830,842**	4,719	–
Financial assets sold under repurchase agreements	44	**24,592,145**	23,825,242	25,250,426
Financial liabilities at FVTPL	45	**472,061**	1,057,642	2,925,391
Lease liabilities	46	**147,914**	119,678	105,699
		103,306,335	101,556,372	97,955,003
NET CURRENT ASSETS		**49,556,091**	44,657,399	32,956,013
TOTAL ASSETS LESS CURRENT LIABILITIES		**104,427,467**	89,305,042	83,121,200
NON-CURRENT LIABILITIES				
Bank and other borrowings	40	**13,213,544**	17,302,734	19,661,590
Bonds payable	42	**23,610,144**	16,189,322	17,193,430
Convertible bonds	43	**6,611,090**	5,707,354	1,714,662
Deferred tax liabilities	47	**260,060**	481,066	477,525
Lease liabilities	46	**327,516**	324,352	360,216
		44,022,354	40,004,828	39,407,423
		60,405,113	49,300,214	43,713,777

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
CAPITAL AND RESERVES				
Share capital	48	5,993,498	4,343,115	4,343,115
Reserves		33,798,718	25,665,727	22,097,979
Equity attributable to owners of the Company		39,792,216	30,008,842	26,441,094
Non-controlling interests	49	20,612,897	19,291,372	17,272,683
		60,405,113	49,300,214	43,713,777

The consolidated financial statements on pages 122 to 338 were approved and authorised for issue by the board of directors on March 25, 2024 and are signed on its behalf by:

DIRECTOR	*DIRECTOR*
WU. Wei	**LI. Wei**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company											
	Share capital *Rmb'000*	Share premium *Rmb'000*	Statutory reserve *Rmb'000* (Note i)	Capital reserve *Rmb'000*	Investment revaluation reserve *Rmb'000*	Share of differences arising on translation *Rmb'000*	Dividend reserve *Rmb'000*	Special reserves *Rmb'000* (Note ii)	Retained profits *Rmb'000*	Sub-total *Rmb'000*	Non-controlling interests *Rmb'000*	Total *Rmb'000*
At January 1, 2023 (originally stated)	4,343,115	3,355,621	5,966,512	1,712	16,307	7,055	1,628,668	6,928,156	8,671,144	30,918,290	19,291,372	50,209,662
Adjustments	-	-	-	-	-	-	-	2,035,302	(2,944,750)	(909,448)	-	(909,448)
At January 1, 2023 (restated)	4,343,115	3,355,621	5,966,512	1,712	16,307	7,055	1,628,668	8,963,458	5,726,394	30,008,842	19,291,372	49,300,214
Profit for the year	-	-	-	-	-	-	-	-	5,223,679	5,223,679	1,398,651	6,622,330
Other comprehensive income for the year	-	-	-	-	102,586	1,554	-	-	-	104,140	25,683	129,823
Total comprehensive income for the year	-	-	-	-	102,586	1,554	-	-	5,223,679	5,327,819	1,424,334	6,752,153
Issuance of shares (Note 48)	1,650,383	4,448,491	-	-	-	-	-	-	-	6,098,874	-	6,098,874
Consideration paid for acquisition of subsidiaries under common control (Note 2)	-	-	-	-	-	-	-	(16,700)	-	(16,700)	-	(16,700)
Capital injection to a subsidiary acquired under common control	-	-	-	-	-	-	-	2,165	-	2,165	-	2,165
Issuance of Convertible Bond 2022 by a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	804,528	804,528
Conversion of Convertible Bond 2022 of a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Deemed partial disposal of interest in a subsidiary upon conversion of Convertible Bond 2022	-	-	-	-	-	-	-	33	-	33	128	161
Establishment of a subsidiary (Note 58)	-	-	-	-	-	-	-	-	-	-	700	700
Repurchase of shares by a subsidiary	-	-	-	-	-	-	-	-	-	-	(405,138)	(405,138)
Capital reserve change of an associate	-	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(503,012)	(503,012)
2022 dividend (Note 17)	-	-	-	-	-	-	(1,628,668)	-	-	(1,628,668)	-	(1,628,668)
Proposed 2023 dividend	-	-	-	-	-	-	1,917,919	-	(1,917,919)	-	-	-
Transfer to reserves	-	-	594,328	-	-	-	-	-	(594,328)	-	-	-
At December 31, 2023	5,993,498	7,804,112	6,560,840	1,712	118,893	8,609	1,917,919	8,948,807	8,437,826	39,792,216	20,612,897	60,405,113

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company											
	Share capital *Rmb'000*	Share premium *Rmb'000*	Statutory reserve *Rmb'000* (Note i)	Capital reserve *Rmb'000*	Investment revaluation reserve *Rmb'000*	Share of differences arising on translation *Rmb'000*	Dividend reserve *Rmb'000*	Special reserves *Rmb'000* (Note ii)	Retained profits *Rmb'000*	Sub-total *Rmb'000*	Non-controlling interests *Rmb'000*	Total *Rmb'000*
At January 1, 2022 (originally stated)	4,343,115	3,355,621	5,639,087	1,712	19,447	(1,667)	1,628,668	6,915,988	5,248,371	27,150,342	17,272,683	44,423,025
Adjustments	-	-	-	-	-	-	-	2,035,302	(2,744,550)	(709,248)	-	(709,248)
At January 1, 2022 (restated)	4,343,115	3,355,621	5,639,087	1,712	19,447	(1,667)	1,628,668	8,951,290	2,503,821	26,441,094	17,272,683	43,713,777
Profit for the year (restated)	-	-	-	-	-	-	-	-	5,178,666	5,178,666	1,124,344	6,303,010
Other comprehensive income/(loss) for the year	-	-	-	-	(3,140)	8,722	-	-	-	5,582	9,509	15,091
Total comprehensive income/(loss) for the year	-	-	-	-	(3,140)	8,722	-	-	5,178,666	5,184,248	1,133,853	6,318,101
Issuance of Convertible Bond 2022 by a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	476,257	476,257
Conversion of Convertible Bond 2022 of a subsidiary (Note 43)	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Deemed partial disposal of interest in a subsidiary upon conversion of Convertible Bond 2022	-	-	-	-	-	-	-	6	-	6	101	107
Capital injection of a subsidiary	-	-	-	-	-	-	-	12,162	-	12,162	817,839	830,001
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(409,351)	(409,351)
2021 dividend (Note 17)	-	-	-	-	-	-	(1,628,668)	-	-	(1,628,668)	-	(1,628,668)
Proposed 2022 dividend	-	-	-	-	-	-	1,628,668	-	(1,628,668)	-	-	-
Transfer to reserves	-	-	327,425	-	-	-	-	-	(327,425)	-	-	-
At December 31, 2022 (restated)	4,343,115	3,355,621	5,966,512	1,712	16,307	7,055	1,628,668	8,963,458	5,726,394	30,008,842	19,291,372	49,300,214

Notes:

(i) Statutory reserves comprise:

(a) Statutory surplus reserve

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

(b) General risk reserve

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

(c) Transaction risk reserve

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

(ii) Special reserves mainly comprise:

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

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

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

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTE	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**7,851,538**	7,342,061
Adjustments for:			
Finance costs		**2,104,129**	1,894,394
Interest income from financial institutions		**(360,686)**	(144,271)
Interest income from debt instruments at FVTOCI		**(148,106)**	(11,505)
Foreign exchange loss		**145,665**	286,160
Share of profit of associates		**(1,056,247)**	(752,086)
Share of profit of joint ventures		**(107,046)**	(49,771)
Depreciation of property, plant and equipment		**814,910**	604,165
Amortisation of expressway operating rights		**2,650,098**	2,943,759
Depreciation of right-of-use assets		**148,932**	133,805
Amortisation of other intangible assets		**91,103**	76,023
Impairment losses under expected credit loss model, net of reversal			
– debt instruments at FVTOCI		**867**	1,108
– trade receivables and other receivables		**21,175**	21,432
– advance to customers arising from margin financing business		**2,345**	(1,521)
– financial assets held under resale agreements		**6,237**	(9,234)
Allowance for write-down of inventories		**13,711**	6,898
Loss on disposal of property, plant and equipment		**5,274**	1,906
Loss on disposal of expressway operating rights		**4,595**	18,645
Gain on disposal of a subsidiary		**–**	(1,881,262)
Gain arising from deemed disposal of associates		**–**	(22,062)
Gain on decrease in fair value in respect of derivative component of Convertible Bond		**(280,620)**	(31,951)
Loss on fair value changes of financial assets at FVTPL		**894**	–
Loss on disposal of debt instruments at FVTOCI		**56**	–
Gain arising from increasing shares of an associate		**(26,457)**	–

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTE	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000 (Restated)
Operating cash flows before movements in working capital		11,882,367	10,426,693
Increase in inventories		(713,796)	(241,469)
Increase in trade receivables		(268,266)	(89,164)
(Increase)/decrease in loans to customers arising from margin financing business		(2,379,838)	1,838,383
Increase in other receivables and prepayments		(2,397,468)	(1,883,732)
Decrease in financial assets at FVTPL		2,188,940	1,877,936
(Increase)/decrease in financial assets held under resale agreements		(1,460,429)	822,230
(Increase)/decrease in restricted bank balance		(30,452)	61,911
Decrease/(increase) in bank balances and clearing settlement fund held on behalf of customers		3,329,586	(10,351,999)
Decrease/(increase) in net derivative financial assets		163,316	(284,049)
Increase in placements from other financial institutions		1,250,000	200,000
(Decrease)/increase in accounts payable to customers arising from securities business		(3,646,272)	10,380,245
Increase/(decrease) in trade payables		44,342	(231,677)
Decrease in other taxes payable		(146,873)	(540,891)
Decrease in contract liabilities		(57,381)	(42,833)
Increase in other payables and accruals		4,895,924	3,187,851
Decrease in financial liabilities at FVTPL		(585,581)	(1,867,749)
Increase/(decrease) in financial assets sold under repurchase agreements		766,903	(1,425,184)
Cash generated from operations		12,835,022	11,836,502
Income taxes paid		(1,258,084)	(1,966,682)
Interest paid		(1,762,609)	(2,058,677)
NET CASH FROM OPERATING ACTIVITIES		9,814,329	7,811,143

	NOTE	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
INVESTING ACTIVITIES			
Interest received		408,045	147,496
Dividends received from associates and a joint venture		523,906	497,691
Investment in associates		(767,308)	(80,000)
Investment in joint ventures		(1,000,500)	–
Withdrawal of investment in associates		32,255	30,439
Proceeds on disposal of property, plant and equipment		10,244	7,590
Proceeds on disposal of expressway operating rights		–	10,828
Proceeds on disposal or redemption of FVTOCI		240,611	–
Purchases of property, plant and equipment		(971,261)	(1,514,596)
Purchases of leasehold lands		(312,255)	–
Purchases of other intangible assets		(129,107)	(103,483)
Purchase of			
– financial assets at FVTPL		(109,091)	(67,730)
– debt instruments at FVTOCI		(7,549,671)	(818,491)
Net cashflow on disposal of a subsidiary		–	2,206,798
Withdrawl of entrusted loans		–	2,400,000
Placement of time deposits		(13,237,551)	–
Withdrawal of time deposits		6,245,535	200,000
Investment made by infrastructure real estate investment trusts		–	(14,900)
Withdrawl of investment made by infrastructure real estate investment trusts		–	14,900
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(16,616,148)	2,916,542

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTE	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000 (Restated)
FINANCING ACTIVITIES			
Dividends paid		(1,642,803)	(1,632,065)
Dividends paid to non-controlling shareholders		(334,439)	(409,351)
New bank and other borrowings raised		6,759,555	6,764,713
Repayment of bank and other borrowings		(9,657,001)	(6,704,646)
New entrusted loans raised		2,380,810	2,788,954
Repayment of entrusted loans		(4,018,954)	(1,156,173)
New issue of bonds payable, including assets-backed bonds		12,500,000	8,500,000
Repayment of bonds payable		(6,800,000)	(12,806,310)
Proceed from issuance of Convertible Bond		3,334,415	4,350,789
Issue costs of Convertible Bond		–	(1,489)
Issue of short-term financing note payable		13,569,470	8,401,470
Repayment of short-term financing note payable		(14,987,230)	(12,764,370)
Repayments of lease liabilities		(145,537)	(134,827)
Proceed from issuance of shares		6,128,918	–
Transaction costs paid on issuance of shares		(30,044)	–
Repurchase of shares by a subsidiary		(405,138)	–
Acquisition of a subsidiary under common control		(16,700)	–
Capital received from Communications Group under common control		2,165	–
Capital injection by non-controlling interests		700	830,001
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		6,638,187	(3,973,304)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(163,632)	6,754,381
CASH AND CASH EQUIVALENTS AT JANUARY 1		23,990,165	17,213,997
Effect of foreign exchange rate changes		3,907	21,787
TOTAL CASH AND CASH EQUIVALENTS AT DECEMBER 31, represented by	34	23,830,440	23,990,165
Cash and cash equivalents		23,830,440	23,990,165

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. CORPORATE INFORMATION

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

All of the H Shares of the Company were admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). Dealings in the H Shares on the London Stock Exchange (the "LSE") commenced on May 5, 2000. On April 18, 2023, the Company applied for the cancellation of listing of its H shares on the standard listing segment of the Official List of the Financial Conduct Authority and of trading on the Main Market of the LSE. Such cancellation was effective from 8.00 a.m. on May 19, 2023 and the H Shares continue to trade on the Hong Kong Stock Exchange.

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

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

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

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

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

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

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

(c) the hotel operation, investment in other financial institutions and other ancillary services.

Notes to the Consolidated Financial Statements

2. MERGER ACCOUNTING RESTATEMENT

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certificated Public Accountants (the "HKICPA").

On September 28, 2023, Zhejiang LongLiLiLong Expressway Co., Ltd. ("LongLiLiLong Co"), a wholly owned subsidiary of the Company, entered into an equity purchase agreement with Communications Group to acquire 100% equity interest in Zhejiang HuangQuNan Expressway Co., Ltd. ("HuangQuNan Co") at a cash consideration of Rmb16,700,000. HuangQuNan Co is principally engaged in the operation and management of toll collection rights of the Zhejiang Section of HuangQuNan Expressway located in Zhejiang Province, the PRC, with a total length of 161 kilometers. The acquisition has been approved by the board of directors on September 7, 2023, and by the end of November, HuangQuNan Co became an indirect subsidiary of the Company after the completion of Articles of Association revision and business registration modification pursuant to HuangQuNan Equity Purchase Agreement.

Since Communications Group is the immediate and ultimate holding company of the Company, the above acquisitions were regarded as business combinations involving entities under common control and were accounted for using AG 5. As a result, the comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended December 31, 2022 and the consolidated statement of financial position as at December 31, 2022 and January 1, 2022 have therefore been restated in order to include the financial performance, assets and liabilities of the combining entities since the date on which they first come under common control.

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of the merger accounting restatement in respect of the acquisition of 100% equity interests in HuangQuNan Co on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 are as follows:

	Year ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Revenue	14,898,730	433,047	15,331,777
including: interest income under effective interest method	2,390,436	–	2,390,436
Operating costs	(8,857,926)	(507,199)	(9,365,125)
Gross profit/(loss)	6,040,804	(74,152)	5,966,652
Securities investment gains	679,734	–	679,734
Other income and gains and losses	2,093,933	8,818	2,102,751
Administrative expenses	(172,616)	(4,789)	(177,405)
Other expenses	(119,701)	(5,648)	(125,349)
Impairment losses under expected credit loss model, net of reversal	(11,742)	(43)	(11,785)
Share of profit of associates	752,086	–	752,086
Share of profit of a joint venture	49,771	–	49,771
Finance costs	(1,770,008)	(124,386)	(1,894,394)
Profit/(loss) before tax	7,542,261	(200,200)	7,342,061
Income tax expense, credit	(1,039,051)	–	(1,039,051)
Profit for the year	6,503,210	(200,200)	6,303,010

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on debt instruments measured at fair value through other comprehensive income	(9,055)	–	(9,055)
Impairment loss for debt instruments at fair value through other comprehensive income	1,108	–	1,108
Income tax impact relating to items that may be reclassified subsequently to profit or loss	1,987	–	1,987
Exchange differences on translation of financial statements of foreign operations	21,787	–	21,787
Share of other comprehensive loss of an associate, net of related income tax	(736)	–	(736)
Other comprehensive income for the year, net of income tax	15,091	–	15,091
Total comprehensive income for the year	6,518,301	(200,200)	6,318,101
Profit for the year attributable to:			
Owners of the Company	5,378,866	(200,200)	5,178,666
Non-controlling interests	1,124,344	–	1,124,344
	6,503,210	(200,200)	6,303,010
Total comprehensive income attributable to:			
Owners of the Company	5,384,448	(200,200)	5,184,248
Non-controlling interests	1,133,853	–	1,133,853
	6,518,301	(200,200)	6,318,101
Earnings per share			
– Basic (Rmb cents)	123.85	(10.13)	113.72
– Diluted (Rmb cents)	117.62	(9.29)	108.33

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of the merger accounting restatement in respect of the acquisition of 100% equity interest in HuangQuNan Co on the consolidated statements of financial positions as at January 1, 2022 and December 31, 2022 are as follows:

	Year Ended 01/01/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 01/01/2022 *Rmb'000* (Restated)	Year Ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 12/31/2022 *Rmb'000* (Restated)
NON-CURRENT ASSETS						
Property, plant and equipment	5,019,619	511,219	5,530,838	5,419,682	493,144	5,912,826
Right-of-use assets	666,686	–	666,686	621,953	–	621,953
Expressway operating rights	26,053,256	4,200,448	30,253,704	19,797,341	3,877,402	23,674,743
Goodwill	86,867	–	86,867	86,867	–	86,867
Other intangible assets	303,350	156	303,506	347,051	349	347,400
Interests in associates	9,675,046	–	9,675,046	10,059,641	–	10,059,641
Interest in a joint venture	440,574	–	440,574	440,345	–	440,345
Financial assets at FVTPL	363,878	–	363,878	209,439	–	209,439
Debt instruments at FVTOCI	–	–	–	570,257	–	570,257
Other receivables and prepayments	1,216,289	–	1,216,289	1,118,363	–	1,118,363
Financial assets held under resale agreements	10,000	–	10,000	189,000	–	189,000
Deferred tax assets	1,617,799	–	1,617,799	1,416,809	–	1,416,809
	45,453,364	4,711,823	50,165,187	40,276,748	4,370,895	44,647,643

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year Ended 01/01/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 01/01/2022 *Rmb'000* (Restated)	Year Ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 12/31/2022 *Rmb'000* (Restated)
CURRENT ASSETS						
Inventories	371,714	–	371,714	606,285	–	606,285
Trade receivables	467,892	7,307	475,199	554,368	8,516	562,884
Loans to customers arising from margin financing business	19,394,130	–	19,394,130	17,557,268	–	17,557,268
Other receivables and prepayments	1,379,105	371	1,379,476	3,347,368	3,550	3,350,918
Dividends receivable	128	–	128	44	–	44
Derivative financial assets	613,718	–	613,718	1,000,756	–	1,000,756
Financial assets at FVTPL	45,445,711	–	45,445,711	43,789,944	–	43,789,944
Debt instruments at FVTOCI	–	–	–	250,683	–	250,683
Financial assets held under resale agreements	7,078,206	–	7,078,206	6,086,210	–	6,086,210
Bank balances and clearing settlement fund held on behalf of customers	38,392,804	–	38,392,804	48,744,803	–	48,744,803
Bank balances, clearing settlement fund, deposits and cash:						
– Restricted bank balances and cash	132,090	–	132,090	70,179	–	70,179
– Time deposits with original maturity over three months	413,843	–	413,843	203,632	–	203,632
– Cash and cash equivalents	17,153,977	60,020	17,213,997	23,917,236	72,929	23,990,165
	130,843,318	67,698	130,911,016	146,128,776	84,995	146,213,771

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year Ended 01/01/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 01/01/2022 *Rmb'000* (Restated)	Year Ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 12/31/2022 *Rmb'000* (Restated)
CURRENT LIABILITIES						
Placements from other financial institutions	500,000	–	500,000	700,000	–	700,000
Accounts payable to customers arising from securities business	38,069,350	–	38,069,350	48,449,595	–	48,449,595
Trade payables	1,387,533	66,465	1,453,998	1,159,833	60,999	1,220,832
Tax liabilities	1,305,228	–	1,305,228	419,684	–	419,684
Other taxes payable	916,269	3,837	920,106	377,435	1,899	379,334
Other payables and accruals	5,872,066	49,287	5,921,353	8,868,740	55,813	8,924,553
Contract liabilities	204,214	–	204,214	161,381	–	161,381
Derivative financial liabilities	451,368	–	451,368	554,357	–	554,357
Bank and other borrowings	2,316,307	135,200	2,451,507	4,915,176	138,907	5,054,083
Short-term financing note payable	7,940,702	–	7,940,702	3,567,025	–	3,567,025
Bonds payable	10,455,661	–	10,455,661	7,118,247	–	7,118,247
Convertible bonds	–	–	–	4,719	–	4,719
Financial assets sold under repurchase agreements	25,250,426	–	25,250,426	23,825,242	–	23,825,242
Financial liabilities at FVTPL	2,925,391	–	2,925,391	1,057,642	–	1,057,642
Lease liabilities	105,699	–	105,699	119,678	–	119,678
	97,700,214	254,789	97,955,003	101,298,754	257,618	101,556,372
NET CURRENT ASSETS (LIABILITIES)	33,143,104	(187,091)	32,956,013	44,830,022	(172,623)	44,657,399
TOTAL ASSETS LESS CURRENT LIABILITIES	78,596,468	4,524,732	83,121,200	85,106,770	4,198,272	89,305,042

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

2. MERGER ACCOUNTING RESTATEMENT (Continued)

	Year Ended 01/01/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 01/01/2022 *Rmb'000* (Restated)	Year Ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 12/31/2022 *Rmb'000* (Restated)
NON-CURRENT LIABILITIES						
Bank and other borrowings	14,427,610	5,233,980	19,661,590	12,195,014	5,107,720	17,302,734
Bonds payable	17,193,430	–	17,193,430	16,189,322	–	16,189,322
Convertible Bonds	1,714,662	–	1,714,662	5,707,354	–	5,707,354
Deferred tax liabilities	477,525	–	477,525	481,066	–	481,066
Lease liabilities	360,216	–	360,216	324,352	–	324,352
	34,173,443	5,233,980	39,407,423	34,897,108	5,107,720	40,004,828
	44,423,025	(709,248)	43,713,777	50,209,662	(909,448)	49,300,214
CAPITAL AND RESERVES						
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Reserves	22,807,227	(709,248)	22,097,979	26,575,175	(909,448)	25,665,727
Equity attributable to owners of the Company	27,150,342	(709,248)	26,441,094	30,918,290	(909,448)	30,008,842
Non-controlling interests	17,272,683	–	17,272,683	19,291,372	–	19,291,372
	44,423,025	(709,248)	43,713,777	50,209,662	(909,448)	49,300,214

Note: Notes to the consolidated statement of financial position are presented for January 1, 2022 as well if there is merger accounting effect.

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of merger accounting restatement in respect of the acquisition of 100% equity interest in HuangQuNan Co on the consolidated statements of equity as at January 1 2022 and December 31, 2022 are as follows:

	Year Ended 01/01/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 01/01/2022 *Rmb'000* (Restated)	Year Ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year Ended 12/31/2022 *Rmb'000* (Restated)
Share capital	4,343,115	–	4,343,115	4,343,115	–	4,343,115
Share premium	3,355,621	–	3,355,621	3,355,621	–	3,355,621
Statutory reserve	5,639,087	–	5,639,087	5,966,512	–	5,966,512
Capital reserve	1,712	–	1,712	1,712	–	1,712
Investment revaluation reserve	19,447	–	19,447	16,307	–	16,307
Share of differences arising on translation	(1,667)	–	(1,667)	7,055	–	7,055
Dividend reserve	1,628,668	–	1,628,668	1,628,668	–	1,628,668
Special reserves	6,915,988	2,035,302	8,951,290	6,928,156	2,035,302	8,963,458
Retained profits	5,248,371	(2,744,550)	2,503,821	8,671,144	(2,944,750)	5,726,394
Non-controlling interests	17,272,683	–	17,272,683	19,291,372	–	19,291,372
Total	44,423,025	(709,248)	43,713,777	50,209,662	(909,448)	49,300,214

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of merger accounting restatement in respect of the acquisition of 100% equity interest in HuangQuNan Co on the consolidated cash flows for the year ended December 31, 2022 are as follows:

	Year ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Profit before tax	7,542,261	(200,200)	7,342,061
Adjustments for:			
Finance costs	1,770,008	124,386	1,894,394
Interest income from financial institutions	(142,358)	(1,913)	(144,271)
Depreciation of property, plant and equipment	554,686	49,479	604,165
Amortisation of expressway operating rights	2,621,008	322,751	2,943,759
Amortisation of other intangible assets	75,491	532	76,023
Impairment losses, net of reversal	21,389	43	21,432
Loss on disposal of property, plant and equipment	1,436	470	1,906
Loss on disposal of expressway operating rights	18,434	211	18,645
Other operating cash flow adjustments	(2,331,421)	–	(2,331,421)
Operating cash flows before movements in working capital	10,130,934	295,759	10,426,693
Increase in trade receivables	(87,940)	(1,224)	(89,164)
Increase in other receivables and prepayments	(1,880,644)	(3,088)	(1,883,732)
Decrease in trade payables	(226,211)	(5,466)	(231,677)
Decrease in other taxes payable	(538,834)	(2,057)	(540,891)
Increase in other payables and accruals	3,181,325	6,526	3,187,851
Other working capital adjustments	967,422	–	967,422
Cash generated from operations	11,546,052	290,450	11,836,502
Income taxes paid	(1,966,682)	–	(1,966,682)
Interest paid	(1,937,998)	(120,679)	(2,058,677)
NET CASH FROM OPERATING ACTIVITIES	7,641,372	169,771	7,811,143

2. MERGER ACCOUNTING RESTATEMENT (Continued)

The effects of merger accounting restatement in respect of the acquisition of 100% equity interest in HuangQuNan Co on the consolidated cash flows for the year ended December 31, 2022 are as follows: (Continued)

	Year ended 12/31/2022 *Rmb'000* (Originally stated)	Merger accounting restatement *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
INVESTING ACTIVITIES			
Interest received	145,583	1,913	147,496
Proceeds on disposal of expressway operating rights	10,744	84	10,828
Purchases of property, plant and equipment	(1,482,722)	(31,874)	(1,514,596)
Purchases of other intangible assets	(102,758)	(725)	(103,483)
Other investing cash flows	4,376,297	–	4,376,297
NET CASH FROM INVESTING ACTIVITIES	2,947,144	(30,602)	2,916,542
FINANCING ACTIVITIES			
Repayment of bank and other borrowings	(6,578,386)	(126,260)	(6,704,646)
Other financing cash flows	2,731,342	–	2,731,342
NET CASH USED IN FINANCING ACTIVITIES	(3,847,044)	(126,260)	(3,973,304)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,741,472	12,909	6,754,381
CASH AND CASH EQUIVALENTS AT JANUARY 1	17,153,977	60,020	17,213,997
Effect of foreign exchange rate changes	21,787	–	21,787
CASH AND CASH EQUIVALENTS AT DECEMBER 31	23,917,236	72,929	23,990,165

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 5 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, including convertible instruments in which the conversion options are classified as equity instruments, and the related terms and conditions stipulated in the agreements between the Group and the relevant convertible instrument holders, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

5. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation (Continued)

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

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

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

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

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation (Continued)

- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation (Continued)

Change in the Group's interests in existing subsidiaries

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK (IFRIC)–Int 21 Levies, in which the Group applies HKAS 37 or HK (IFRIC)–Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Merger accounting for business combination involving businesses under common control

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

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

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

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

Goodwill

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Goodwill (Continued)

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

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

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

Investments in associates and joint ventures

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investments in associates and joint ventures (Continued)

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investments in associates and joint ventures (Continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investments in associates and joint ventures (Continued)

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

Acquisition of additional interests in associates or joint ventures

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

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 7.

Property, plant and equipment

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property, plant and equipment (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Expressway operating rights under service concession arrangements

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

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

Cash and cash equivalents

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Inventories

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

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Lease

Definition of a lease

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Lease (Continued)

The Group as lessee

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Lease (Continued)

The Group as lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Lease (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Lease (Continued)

The Group as lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Lease (Continued)

The Group as a lessor

Classification and measurement of leases

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

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

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

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

Allocation of consideration to components of a contract

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Lease (Continued)

The Group as a lessor (Continued)

Refundable rental deposits

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

Lease modification

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

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

Foreign currencies

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Foreign currencies (Continued)

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

Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

Termination benefits

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Employee benefits (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised 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 reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

Financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Debt instruments/receivables classified as at FVTOCI

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

(iii) Financial assets at FVTPL

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk

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

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

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

Notes to the Consolidated Financial Statements

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets (Continued)

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

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

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

(iv) Write-off policy

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

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

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

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

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

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For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

Derecognition/modification of financial assets

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

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For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition/modification of financial assets (Continued)

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets held under resale agreements

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

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

Securities lending arrangement

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability is held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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

Financial liabilities at amortised cost

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial guarantee contracts

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

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

Convertible bond contains debt and derivative components

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bond contains equity component

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

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

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other income gains and losses' line item in profit or loss (Note 10) as part of "Exchange losses, net" for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition/modification of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition/modification of financial liabilities (Continued)

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Derivative financial instruments

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Offsetting a financial asset and a financial liability

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

Provisions

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

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

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

6. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

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

Determination of consolidation scope of structured entities

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

Critical judgements in applying accounting policies (Continued)

Determination of consolidation scope of structured entities (Continued)

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

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

As at December 31, 2023, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2022: Rmb86,867,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 24.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

Key sources of estimation uncertainty (Continued)

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

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

Significant increase of credit risk

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

Establishing groups of assets with similar credit risk characteristics

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

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

Key sources of estimation uncertainty (Continued)

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

Models and assumptions used

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

Forward-looking information

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

PD

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

LGD

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

Key sources of estimation uncertainty (Continued)

Fair value measurements and valuation processes

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

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

7. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Year ended 12/31/2023 Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Year ended 12/31/2022 Toll operation Rmb'000 (Restated)	Securities operation Rmb'000	Others Rmb'000
Types of goods or services						
Toll operation	10,423,833	–	–	9,093,380	–	–
Securities operation						
Asset management services	–	403,689	–	–	420,826	–
Securities and futures commission	–	2,634,295	–	–	2,490,292	–
Investment banking services	–	881,905	–	–	778,829	–
	–	3,919,889	–	–	3,689,947	–
Others						
Hotel operating and catering services	–	–	124,072	–	–	88,143
Revenue from PPP project	–	–	44,830	–	–	69,871
	–	–	168,902	–	–	158,014
Total	10,423,833	3,919,889	168,902	9,093,380	3,689,947	158,014
Timing of revenue recognition						
A point in time	10,423,833	3,919,889	124,072	9,093,380	3,689,947	88,143
Over time	–	–	44,830	–	–	69,871
Total	10,423,833	3,919,889	168,902	9,093,380	3,689,947	158,014

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

7. REVENUE (Continued)

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

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

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Toll operation	10,423,833	9,093,380
Securities operation	3,919,889	3,689,947
Others	168,902	158,014
Revenue from contracts with customers	14,512,624	12,941,341
Interest under effective interest method	2,452,400	2,390,436
Total revenue	16,965,024	15,331,777

(ii) Performance obligations for contracts with customers and revenue recognition policies

Toll operation

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

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

Hotel operation and catering services

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

7. REVENUE (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

Asset management services

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

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

Securities brokerage services

Commission and fee income arising from securities brokerage services is recognised at a point in time when the service is provided and performance obligation is satisfied when the brokerage of customers' securities, futures or options contracts dealing is completed. Fees are usually received shortly after the service is provided.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

7. REVENUE (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

Investment banking services

The Group provides financial advisory services to its customers. The Group recognises the revenue at a point in time when the services are provided. They are usually collected within one month when they become due.

The Group provides sponsoring and underwriting services to its customers for issue of equity or debt instruments to investors. Performance obligation is satisfied when the issue of these equity or debt instruments are completed. Sponsoring and underwriting fees became due when certain milestones are met during the issue process and at completion of the issues. They are usually collected within one month when they become due.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

There is no material unsatisfied or partially unsatisfied remaining performance obligations as at December 31, 2023.

8. OPERATING SEGMENTS

Information reported to the General Manager of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.

(ii) Securities operation – the securities and future broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.

(iii) Others – hotel operation, high grade road construction, investment in other financial institutions and other ancillary services.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended December 31, 2023

	Toll operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Revenue – external customers	10,423,833	6,372,289	168,902	16,965,024
Segment profit	3,890,536	1,915,533	816,261	6,622,330

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

8. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

For the year ended December 31, 2022 (restated)

	Toll operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Revenue – external customers	9,093,380	6,080,383	158,014	15,331,777
Segment profit	3,841,689	1,709,964	751,357	6,303,010

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 5. Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Segment assets			Segment liabilities		
	12/31/2023 ***Rmb'000***	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)	**12/31/2023** ***Rmb'000***	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
Toll operation	**51,395,419**	43,815,803	46,150,339	**(29,473,199)**	(31,160,980)	(35,080,942)
Securities operation	**146,103,622**	137,584,981	125,941,428	**(117,199,395)**	(109,660,591)	(101,422,949)
Others	**10,147,894**	9,373,763	8,897,569	**(656,095)**	(739,629)	(858,535)
Total segment assets (liabilities)	**207,646,935**	190,774,547	180,989,336	**(147,328,689)**	(141,561,200)	(137,362,426)
Goodwill	**86,867**	86,867	86,867	**–**	–	–
Consolidated assets (liabilities)	**207,733,802**	190,861,414	181,076,203	**(147,328,689)**	(141,561,200)	(137,362,426)

Segment assets and segment liabilities represent the assets and liabilities of the subsidiaries operating in the respective reportable and operating segment.

8. OPERATING SEGMENTS (Continued)

Other segment information

Amounts included in the measure of segment profit/loss or segment assets:

For the year ended December 31, 2023

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Income tax expense	853,149	376,059	–	1,229,208
Interest income from financial institutions	359,558	–	1,128	360,686
Interest expenses	1,141,766	940,158	22,205	2,104,129
Impairment losses on loan to customers arising from margin financing business, recognised in profit	–	2,345	–	2,345
Impairment losses on trade receivables, net of reversal	60	(556)	168	(328)
Interests in associates	2,926,969	703,957	7,860,129	11,491,055
Interests in joint ventures	1,497,891	–	–	1,497,891
Share of profit of associates	145,725	77,998	832,524	1,056,247
Share of profit of joint ventures	107,046	–	–	107,046
Net gains arising from financial assets at FVTPL	–	1,438,760	–	1,438,760
Gain on changes in fair value in respect of the derivative component of convertible bond	280,620	–	–	280,620
Additions to non-current assets (Note)	3,014,776	368,876	121,169	3,504,821
Depreciation and amortisation	3,408,625	276,039	20,379	3,705,043

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

8. OPERATING SEGMENTS (Continued)

Other segment information (Continued)

For the year ended December 31, 2022 (restated)

	Toll operation *Rmb'000*	Securities operation *Rmb'000*	Others *Rmb'000*	Total *Rmb'000*
Income tax expense	638,475	395,486	5,090	1,039,051
Interest income from financial institutions	143,565	–	706	144,271
Interest expenses	1,037,282	828,543	28,569	1,894,394
Impairment losses on loan to customers arising from margin financing business, recognised in profit	–	(1,521)	–	(1,521)
Impairment losses on trade receivables, net of reversal	26	1,352	101	1,479
Interests in associates	2,267,377	668,480	7,123,784	10,059,641
Interests in joint ventures	440,345	–	–	440,345
Share of profit of associates	46,135	(30,138)	736,089	752,086
Share of profit of joint ventures	49,771	–	–	49,771
Net gains arising from financial assets at FVTPL	–	744,503	–	744,503
Gain on changes in fair value in respect of the derivative component of convertible bond	31,951	–	–	31,951
Additions to non-current assets (Note)	1,476,663	285,226	30,771	1,792,660
Depreciation and amortisation	3,425,950	295,510	36,292	3,757,752
Gain on disposal of a subsidiary	1,881,262	–	–	1,881,262

Note: Non-current assets excluded financial instruments and deferred tax assets.

8. OPERATING SEGMENTS (Continued)

Revenue from major services

An analysis of the Group's revenue, net of discounts and taxes, for the year is as follows:

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Toll operation revenue	**10,423,833**	9,093,380
Commission and fee income from securities operation	**3,919,889**	3,689,947
Interest income from securities operation	**2,452,400**	2,390,436
Hotel and catering revenue	**124,072**	88,143
Revenue from PPP project	**44,830**	69,871
	16,965,024	15,331,777

Geographical information

The Group's operations are located in the PRC. The Group's non-current assets are mainly located in the PRC (country of domicile).

All of the Group's revenue from external customers is attributed to the Group entities' country of domicile (i.e. the PRC).

Information about major customers

During the years ended December 31, 2023 and 2022, there was no individual customer with sales over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

9. SECURITIES INVESTMENT GAINS

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000
Net gains arising from financial assets at FVTPL	**1,438,760**	744,503
Net losses arising from debt instruments at FVTOCI	**(56)**	–
Net losses arising from derivative financial instruments	**(414,979)**	(4,770)
Net gains/(losses) arising from financial liabilities at FVTPL	**1,235**	(59,999)
	1,024,960	679,734

10. OTHER INCOME AND GAINS AND LOSSES

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000 (Restated)
Interest income from financial institutions	**360,686**	144,271
Rental income (Note i)	**73,264**	73,431
Gain on changes in fair value in respect of the derivative component of convertible bond	**280,620**	31,951
Exchange losses, net	**(143,902)**	(229,412)
Gains/(losses) on commodity trading, net (Note ii)	**131,359**	(37,237)
Management fee income	**23,195**	13,777
Government subsidy	**57,476**	74,537
Gain arising from deemed disposal of associates	**–**	22,062
Gain on disposal of assets	**1,579**	7,333
Gain on disposal of a subsidiary	**–**	1,881,262
Others	**123,593**	120,776
	907,870	2,102,751

Notes:

(i) Rental income included contingent rent of Rmb1,230,000 (2022: Rmb1,175,000) recognised during the year.

(ii) The income on commodity trading amounted to Rmb11,899,707,000 (2022: Rmb11,616,371,000) with the cost of Rmb11,768,348,000 (2022: Rmb11,653,608,000). The net gains or losses on commodity trading is presented as other income and gains and losses. And the balance of inventories on commodity trading amounted to Rmb 1,303,882,000 (2022: Rmb603,909,000) as of December 31, 2023.

11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Impairment losses recognised/(reversed) on:		
Trade receivables – goods and services	**(328)**	1,479
Other receivables	**21,503**	19,953
Loans to customers arising from margin financing business	**2,345**	(1,521)
Financial assets held under resale agreements	**6,237**	(9,234)
Debt instruments at FVTOCI	**867**	1,108
	30,624	11,785

12. FINANCE COSTS

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Bank and other borrowings	**786,015**	876,132
Short-term financing note payable	**95,425**	103,977
Bonds payable	**787,671**	767,335
Convertible Bonds	**412,301**	123,880
Lease liabilities	**22,717**	23,070
	2,104,129	1,894,394

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

13. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000 (Restated)
Depreciation of property, plant and equipment (included in operating costs and administrative expenses)	814,910	604,165
Depreciation of right-of-use assets	148,932	133,805
Amortisation of expressway operating rights (included in operating costs)	2,650,098	2,943,759
Amortisation of other intangible assets (included in operating costs and administrative expenses)	91,103	76,023
Total depreciation and amortisation	3,705,043	3,757,752
Staff costs (including directors and supervisors):		
– Wages, salaries and bonuses	2,854,601	2,801,907
– Pension scheme contributions	291,685	267,318
	3,146,286	3,069,225
Auditors' remuneration	11,270	10,732
Loss on disposal of property, plant and equipment	5,274	1,906
Allowance for write-down of inventories	13,711	6,898

14. INCOME TAX EXPENSE

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000 (Restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")	1,492,507	1,081,139
Deferred tax (Note 47)	(263,299)	(42,088)
	1,229,208	1,039,051

14. INCOME TAX EXPENSE (Continued)

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit in Hong Kong for both years.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 12/31/2023 ***Rmb'000***	Year ended 12/31/2022 *Rmb'000* (Restated)
Profit before tax	**7,851,538**	7,342,061
Tax at the PRC EIT rate of 25% (2022: 25%)	**1,962,885**	1,835,515
Tax effect of share of profit of associates	**(264,062)**	(188,022)
Tax effect of share of profit of joint ventures	**(26,762)**	(12,443)
Tax effect of tax losses not recognised	**71,925**	112,442
Utilisation of unused tax loss previously not recognised	**(482,237)**	(122,620)
Tax effect of expenses not deductible for tax purposes	**186,775**	34,454
Tax effect of income not subjected to tax purposes	**(219,316)**	(620,275)
Income tax expense for the year	**1,229,208**	1,039,051

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2022: 10) directors and 7 (2022: 5) supervisors are as follows:

	Yu Zhihong@	Yuan Yingjie^	Chen Ninghui@	Wu Wei@	Li Wei@	Yang Xudong^	Fan Ye^	Huang Jianzhang^	Jin Chaoyang^	Pei Ker-wei*	Lee Wai Tsang*	Chen Bin*	Zheng Ruchun#	He Meiyun#	Lu Xinghai#	Wu Qingwang#	Wang Yubing#	Li Yuan#	Lu Wenwei#	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
	(Note i)	(Note ii)	(Note iii)	(Note iv)	(Note v)	(Note vi)			(Note vii)				(Note viii)					(Note ix)	(Note x)	
2023																				
Fees																				
Salaries, allowances and benefits in kind	–	–	377	187	80	–	–	–	–	–	–	–	2	24	–	7	–	–	–	677
Bonuses paid and payable	–	115	667	–	199	–	–	–	–	–	–	–	–	–	–	–	–	–	–	981
Pension scheme contributions	–	–	18	13	10	–	–	–	–	–	–	–	–	–	–	–	–	–	–	41
Directors' fee	–	–	–	–	–	–	–	–	–	230	230	80	–	–	–	–	–	–	–	540
Total emoluments	–	115	1,062	200	289	–	–	–	–	230	230	80	2	24	–	7	–	–	–	2,239
2022																				
Fees																				
Salaries, allowances and benefits in kind	–	210	420	–	–	–	–	–	–	–	–	–	–	9	–	6	–	–	–	645
Bonuses paid and payable	–	443	716	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,159
Pension scheme contributions	–	19	37	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	56
Directors' fee	–	–	–	–	–	–	–	–	–	223	223	81	–	–	–	–	–	–	–	527
Total emoluments	–	672	1,173	–	–	–	–	–	–	223	223	81	–	9	–	6	–	–	–	2,387

@ Executive directors. The emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

^ Non-executive directors. The emoluments shown above were for their services as directors of the Company or its subsidiaries.

* Independent non-executive directors. The emoluments shown above were for their services as directors of the Company.

Supervisors. The emoluments shown above were for their services as supervisors of the Company.

15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

Notes:

(i) Resigned on August 23, 2023.

(ii) Appointed as the chairman on August 23, 2023; Redesignated as non-executive director on September 7, 2023.

(iii) Resigned on September 27, 2023.

(iv) Appointed on September 27, 2023.

(v) Appointed on October 13, 2023.

(vi) Appointed on December 22, 2022.

(vii) Resigned on December 22, 2022.

(viii) Resigned on June 9, 2023.

(ix) Appointed on June 9, 2023; Resigned on September 27, 2023.

(x) Appointed on September 27, 2023.

Bonuses paid to directors and supervisors are performance-rated and are determined by the Remuneration Committee of the Company, which comprises three independent non-executive directors. No directors or supervisors waived any emoluments and no incentive was paid to any directors or supervisors as an inducement to join the Company and no compensation for loss of office was paid to any directors, supervisors, past directors or past supervisors during both years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the other 9 (2022: 8) senior managements are as follows:

	Zheng Hui Rmb'000	Zhang Xiuhua Rmb'000	Wang Bingjiong Rmb'000	Li Wei Rmb'000 (Note i)	Wu Xiangyang Rmb'000	Ruan Liya Rmb'000	Ma Ting Rmb'000 (Note ii)	Zhao Dongquan Rmb'000 (Note iii)	Han Jinghua Rmb'000 (Note iv)	Total Rmb'000
Year ended December 31, 2023										
Salaries, allowances and benefits in kind	**320**	**320**	**320**	**240**	**320**	**320**	**213**	**320**	**159**	**2,532**
Bonuses paid and payable	**589**	**714**	**673**	**597**	**694**	**711**	**661**	**564**	**–**	**5,203**
Pension scheme contributions	**38**	**38**	**37**	**28**	**37**	**37**	**25**	**38**	**9**	**287**
Total emoluments	**947**	**1,072**	**1,030**	**865**	**1,051**	**1,068**	**899**	**922**	**168**	**8,022**
Year ended December 31, 2022										
Salaries, allowances and benefits in kind	357	357	357	357	357	357	357	213	–	2,712
Bonuses paid and payable	559	668	614	804	614	757	325	–	–	4,341
Pension scheme contributions	37	37	37	37	37	37	37	16	–	275
Total emoluments	953	1,062	1,008	1,198	1,008	1,151	719	229	–	7,328

Notes:

(i) Appointed as executive director on October 13, 2023. The emoluments disclosed above include those services rendered by Mr. Li Wei as senior management from January 1, 2022 to October 12, 2023.

(ii) Resigned on August 2, 2023.

(iii) Appointed on May 26, 2022.

(iv) Appointed on October 7, 2023.

Bonuses paid to senior managements are performance-rated and are determined by the board of directors.

No senior management waived any emoluments and no incentive was paid to any senior management as an inducement to join the Company and no compensation for loss of office was paid to any senior management, past senior management during both years. Bonuses are determined by reference to the individual performance of the senior managements.

16. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group are as follows:

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000*
Salaries, allowances and benefits in kind	**15,036**	17,353
Bonuses paid and payable (Note)	**42,737**	42,818
Pension scheme contributions	**530**	508
	58,303	60,679

Note: The bonuses paid and payable are determined by reference to the performance of the relevant business of the Group for the years ended December 31, 2023 and 2022.

No emoluments nor incentive was waived as an inducement to join the Company and no compensation for loss of office was paid to any five highest paid individuals in the Group during both years. Bonuses are determined by reference to the individual performance of the five highest paid individuals in the Group.

The five individuals with the highest emoluments in the Group during the year included 5 non-director employees.

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16. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments are within the following bands:

	No. of individuals	
	Year ended 12/31/2023	Year ended 12/31/2022
HK$9,500,001 to HK$10,000,000 (equivalent to Rmb8,608,901 (2022: Rmb8,486,351) to Rmb9,062,000 (2022: Rmb8,933,000))	**1**	1
HK$10,000,001 to HK$10,500,000 (equivalent to Rmb9,062,001 (2022: Rmb8,933,001) to Rmb9,515,100 (2022: Rmb9,379,650))	**1**	–
HK$12,000,001 to HK$12,500,000 (equivalent to Rmb10,874,401 (2022: Rmb:10,719,601) to Rmb11,327,500 (2022: Rmb:11,166,250)	**–**	1
HK$12,500,001 to HK$13,000,000 (equivalent to Rmb11,327,501 (2022: Rmb11,166,251) to Rmb11,780,600 (2022: Rmb11,612,900))	**–**	1
HK$13,000,001 to HK$13,500,000 (equivalent to Rmb11,780,601 (2022: Rmb11,612,901) to Rmb12,233,700 (2022: Rmb12,059,550))	**1**	–
HK$13,500,001 to HK$14,000,000 (equivalent to Rmb12,233,701 (2022: Rmb12,059,551) to Rmb12,686,800 (2022: Rmb12,506,200))	**1**	–
HK$15,500,001 to HK$16,000,000 (equivalent to Rmb13,593,001 (2022: Rmb13,846,151) to Rmb14,499,200 (2022: Rmb14,292,800))	**–**	1
HK$17,000,001 to HK$17,500,000 (equivalent to Rmb15,405,401 (2022: Rmb15,186,101) to Rmb15,858,500 (2022: Rmb15,632,750))	**–**	1
HK$17,500,001 to HK$18,000,000 (equivalent to Rmb15,858,501 (2022: Rmb15,632,751) to Rmb16,311,600 (2022: Rmb16,079,400))	**1**	–
	5	5

17. DIVIDENDS

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000
Dividends recognised as distribution during the year:		
2022 – Rmb37.5 cents (2022: 2021 – Rmb37.5 cents)	**1,628,668**	1,628,668

Dividend of Rmb32.0 cents per share in respect of the year ended December 31, 2023 (2022: dividend of Rmb37.5 cents per share in respect of the year ended December 31, 2022) in the total amount of Rmb1,917,919,000 (2022: Rmb1,628,668,000) has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

18. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000 (Restated)
Profit for the year attributable to owners of the Company	**5,223,679**	5,178,666
Earnings for the purpose of basic earnings per share	**5,223,679**	5,178,666
Effect of dilutive potential ordinary shares arising from convertible bond:		
Interest expense	**228,084**	68,617
Exchange loss (net of income tax)	**59,700**	27,805
Gain on changes in fair value on derivative component	**(280,620)**	(31,951)
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share	**(58,348)**	(16,076)
Earnings for the purpose of diluted earnings per share	**5,172,495**	5,227,061

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18. EARNINGS PER SHARE (Continued)

	Year ended 12/31/2023 '000	Year ended 12/31/2022 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,624,765	4,553,764
Effect of dilutive potential ordinary shares arising from convertible bond	286,612	271,284
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,911,377	4,825,048

Note: During the year ended December 31, 2023, the Group offered rights issue to its existing Domestic share and H share shareholders, respectively. As the price of share was below the market price at the time of rights issue, there were bonus elements for rights issue and the weighted average number of ordinary shares were adjusted retrospectively. As a result, the weighted average number of ordinary shares and the basic earnings per share for the year ended December 31, 2022 were restated.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *Rmb'000*	Hotel *Rmb'000*	Ancillary facilities *Rmb'000*	Communication and signaling equipment *Rmb'000*	Motor vehicles *Rmb'000*	Machinery and equipment *Rmb'000*	Construction in progress *Rmb'000*	Total *Rmb'000*
COST								
At January 1, 2022 (originally stated)	2,388,307	854,136	2,009,156	2,758,218	177,134	719,822	539,667	9,446,440
Merger accounting restatement	32,979	–	290,222	692,352	23,197	14,356	151,317	1,204,423
At January 1, 2022 (restated)	2,421,286	854,136	2,299,378	3,450,570	200,331	734,178	690,984	10,650,863
Additions (restated)	398	–	113,232	126,041	39,475	151,526	1,067,073	1,497,745
Transfer (restated)	20,785	–	716,784	198,031	–	40,625	(976,225)	–
Disposals (restated)	(15,956)	(1,495)	(59,307)	(75,930)	(15,655)	(40,712)	–	(209,055)
Disposal of a subsidiary	(385,362)	–	(97,286)	(295,452)	(11,547)	(9,542)	(58,087)	(857,276)
At December 31, 2022 (restated)	2,041,151	852,641	2,972,801	3,403,260	212,604	876,075	723,745	11,082,277
Additions	313,755	–	13,555	58,627	15,731	97,930	613,552	1,113,150
Transfer	928	–	443,993	208,277	–	6,452	(659,650)	–
Disposals	–	(705)	–	(123,158)	(16,092)	(20,530)	–	(160,485)
At December 31, 2023	2,355,834	851,936	3,430,349	3,579,979	212,243	959,927	677,647	12,034,942
DEPRECIATION AND IMPAIRMENT								
At January 1, 2022 (originally stated)	955,796	227,592	762,519	1,913,762	117,063	450,089	–	4,426,821
Merger accounting restatement	3,444	–	121,595	539,918	14,504	13,743	–	693,204
At January 1, 2022 (restated)	959,240	227,592	884,114	2,453,680	131,567	463,832	–	5,120,025
Provided for the year (restated)	79,006	27,879	143,113	231,297	16,361	106,509	–	604,165
Disposals (restated)	(6,788)	(356)	(34,781)	(69,067)	(14,826)	(36,308)	–	(162,126)
Disposal of a subsidiary	(164,473)	–	(7,380)	(212,451)	(4,976)	(3,333)	–	(392,613)
At December 31, 2022 (restated)	866,985	255,115	985,066	2,403,459	128,126	530,700	–	5,169,451
Provided for the year	131,736	27,856	261,728	260,653	17,335	115,602	–	814,910
Disposals	–	(193)	–	(116,223)	(15,897)	(19,127)	–	(151,440)
At December 31, 2023	998,721	282,778	1,246,794	2,547,889	129,564	627,175	–	5,832,921
CARRYING VALUES								
At December 31, 2023	1,357,113	569,158	2,183,555	999,117	82,679	332,752	677,647	6,202,021
At December 31, 2022 (restated)	1,174,166	597,526	1,987,735	999,801	84,478	345,375	723,745	5,912,826
At January 1, 2022 (restated)	1,462,046	626,544	1,415,264	996,890	68,764	270,346	690,984	5,530,838

The property, plant and equipment are mainly located in the PRC.

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20. RIGHT-OF-USE ASSETS

	Leasehold lands *Rmb'000*	Leased properties *Rmb'000*	Total *Rmb'000*
COST			
At January 1, 2023	221,267	752,110	973,377
Addition	312,255	153,034	465,289
Decrease	–	(77,735)	(77,735)
At December 31, 2023	533,522	827,409	1,360,931
DEPRECIATION			
At January 1, 2023	35,214	316,210	351,424
Addition	21,402	127,530	148,932
Decrease	–	(74,262)	(74,262)
At December 31, 2023	56,616	369,478	426,094
CARRYING VALUES			
At December 31, 2023	476,906	457,931	934,837
At January 1, 2023	186,053	435,900	621,953

	12/31/2023 ***Rmb'000***	12/31/2022 *Rmb'000*
Expense relating to short-term leases	**6,458**	3,593
Total cash outflow for leases	**159,678**	154,671

20. RIGHT-OF-USE ASSETS (Continued)

Total cash outflow for leases includes payments of principle and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date (including leasehold lands).

The Group leases various offices for its operations. Lease contracts are entered into for term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The amounts of the Group's lease liabilities and interest expense of lease liabilities are disclosed in Note 46 and Note 12, respectively. For the year ended December 31, 2023, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2023, the Group did not enter into any lease that is not yet commenced.

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For the year ended December 31, 2023

21. EXPRESSWAY OPERATING RIGHTS

	Rmb'000
COST	
At January 1, 2022 (originally stated)	59,798,764
Merger accounting restatement	7,974,976
At January 1, 2022 (restated)	67,773,740
Disposals (restated)	(80,685)
Disposal of a subsidiary	(7,967,683)
At December 31, 2022 (restated)	59,725,372
Disposals	(28,059)
At December 31, 2023	59,697,313
AMORTISATION	
At January 1, 2022 (originally stated)	33,745,508
Merger accounting restatement	3,774,528
At January 1, 2022 (restated)	37,520,036
Charge for the year (restated)	2,943,759
Disposals (restated)	(41,246)
Disposal of a subsidiary	(4,371,920)
At December 31, 2022 (restated)	36,050,629
Charge for the year	2,650,098
Disposals	(16,324)
At December 31, 2023	38,684,403
CARRYING VALUES	
At December 31, 2023	21,012,910
At December 31, 2022 (restated)	23,674,743
At January 1, 2022 (restated)	30,253,704

21. EXPRESSWAY OPERATING RIGHTS (Continued)

The above expressway operating rights were granted by the Zhejiang Provincial Government and Anhui Provincial Government for a period ranging from 25 to 30 years. During the expressway concessionary period, the Group has the rights of operations and management of Shanghai-Hangzhou-Ningbo Expressway, Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, Hanghui Expressway, Huihang Expressway, HuangQuNan Expressway and Zhoushan Bay Bridge, LongLi Expressway and LiLong Expressway, Zhajiasu Expressway and the toll-collection rights thereof.

The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways and their toll station facilities without residual value, will be returned to the grantors at nil consideration. The expressway operating rights were amortised using the straight-line basis over the useful life attributable to the Group.

22. GOODWILL

	Rmb'000
COST AND CARRYING VALUES	
At January 1, 2022, December 31, 2022 and December 31, 2023	86,867

Particulars regarding impairment testing on goodwill are disclosed in Note 24.

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23. OTHER INTANGIBLE ASSETS

	Customer bases *Rmb'000*	Securities/ futures firm licenses *Rmb'000*	Trading seats *Rmb'000*	Software *Rmb'000*	Total *Rmb'000*
COST					
At January 1, 2022 (originally stated)	163,057	63,083	3,480	431,255	660,875
Merger accounting restatement	–	–	–	319	319
At January 1, 2022 (restated)	163,057	63,083	3,480	431,574	661,194
Additions (restated)	–	–	–	119,917	119,917
Disposals	–	–	–	(40)	(40)
At December 31, 2022 (restated)	163,057	63,083	3,480	551,451	781,071
Additions	–	–	–	132,087	132,087
Disposals	–	–	–	(5,167)	(5,167)
At December 31, 2023	163,057	63,083	3,480	678,371	907,991
AMORTISATION					
At January 1, 2022 (originally stated)	113,525	–	–	244,000	357,525
Merger accounting restatement	–	–	–	163	163
At January 1, 2022 (restated)	113,525	–	–	244,163	357,688
Charge for the year (restated)	12,386	–	–	63,637	76,023
Disposals	–	–	–	(40)	(40)
At December 31, 2022 (restated)	125,911	–	–	307,760	433,671
Charge for the year	12,382	–	–	78,721	91,103
Disposals	–	–	–	(5,167)	(5,167)
At December 31, 2023	138,293	–	–	381,314	519,607
CARRYING VALUES					
At December 31, 2023	24,764	63,083	3,480	297,057	388,384
At December 31, 2022 (restated)	37,146	63,083	3,480	243,691	347,400
At January 1, 2022 (restated)	49,532	63,083	3,480	187,411	303,506

23. OTHER INTANGIBLE ASSETS (Continued)

The securities/futures firm licenses of the securities operation are considered by the management of the Group to have indefinite useful lives because they can be renewed at minimal cost.

The trading seats of the securities operation are considered by the management of the Group to have an indefinite useful life because there is no economic or regulatory limit to their useful life.

Software are amortised on a straight-line basis over three to five years.

Particulars of the impairment testing on intangible assets with indefinite useful lives are disclosed in Note 24.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

24. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and other intangible assets with indefinite useful lives set out in Notes 22 and 23 have been allocated to four individual cash generating units ("CGUs"), comprising two subsidiaries in toll operation segment and two subsidiaries in securities operation segment. The carrying amounts of goodwill and other intangible assets as at December 31, 2023 and 2022 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	12/31/2023	12/31/2022	**12/31/2023**	12/31/2022	**12/31/2023**	12/31/2022
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*	***Rmb'000***	*Rmb'000*
Toll operation						
– Jiaxing Branch of Zhejiang LongLiLiLong Expressway Co., Ltd. ("Jiaxing Branch") (Note)	**75,137**	75,137	**–**	–	**–**	–
– Zhejiang Shangsan Expressway Co.,Ltd. ("Shangsan Co")	**10,335**	10,335	**–**	–	**–**	–
Securities operation						
– Zheshang Securities	**–**	–	**51,783**	51,783	**2,080**	2,080
– Zheshang Futures	**1,395**	1,395	**11,300**	11,300	**1,400**	1,400
	86,867	86,867	**63,080**	63,083	**3,480**	3,480

Note: Zhejiang Jiaxing Expressway Co., Ltd. was absorbed and merged by LongLiLiLong Co. in 2022, and its main assets and business continued to exist under Jiaxing branch.

24. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Jiaxing Branch and Shangsan Co

The recoverable amounts of CGUs of Jiaxing Branch and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period and the discount rates the management considered appropriate. No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are 5 years (2022: 6 years) and 7 years (2022: 8 years) for Jiaxing Branch and Shangsan Co, respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jiaxing Branch's and Shangsan Co's goodwill to exceed their aggregate recoverable amounts.

Zheshang Securities and Zheshang Futures

The recoverable amounts of CGUs of Zheshang Securities and Zheshang Futures are determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rates, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with discount rates management believes appropriate. Growth rates beyond the five-year period is assumed to be 1% (2022: 1%). Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Zheshang Securities and Zheshang Futures' goodwill and other intangible assets to exceed their aggregate recoverable amounts.

During the years ended December 31, 2023 and 2022, the management of the Group determines that there are no impairment of any of its CGUs containing goodwill and other intangible assets with indefinite useful lives.

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25. INTERESTS IN ASSOCIATES

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Cost of investment in associates	**8,642,897**	7,880,487
Share of post-acquisition profit and other comprehensive income, net of dividends received	**2,848,158**	2,179,154
	11,491,055	10,059,641
Fair value of listed investments (Note)	**2,721,041**	2,753,623

Note: The fair value of the listed investments is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

At December 31, 2023 and 2022, the Group had interests in the following associates:

Name of entities	Form of business structure	Place of registration and operation	Percentage of equity interest and voting right attributable to the Group 12/31/2023 %	12/31/2022 %	Principal activities
Zheshang Fund Management Co., Ltd. ("Zheshang Fund") (Note i)	Corporate	The PRC	**25**	25	Asset fund management
Zhejiang Communications Investment Group Finance Co., Ltd. ("Zhejiang Communications Finance") (Note ii)	Corporate	The PRC	**20.08**	20.08	Finance and investment
Yangtze United Financial Leasing Co., Ltd. ("Yangtze United Financial Leasing") (Note iii)	Corporate	The PRC	**10.61**	10.61	Provision of financial leasing services
Zhejiang Zheshang Innovation Capital Management Co., Ltd. ("Zheshang Innovation Capital Management")	Corporate	The PRC	**40**	40	Investment management and consulting

25. INTERESTS IN ASSOCIATES (Continued)

Name of entities	Form of business structure	Place of registration and operation	Percentage of equity interest and voting right attributable to the Group		Principal activities
			12/31/2023 %	12/31/2022 %	
Taiping Science and Technology Insurance Co., Ltd. ("Taiping Insurance") (Note iv)	Corporate	The PRC	**8.77**	8.77	Science and technology related insurance
Pujiang JuJinFengAn Investment Management LP ("FengAn Investment") (Note v)	Partnership	The PRC	**17.86**	17.86	Investment management
Zheshang FoF for Industry Transformation and Upgrading LP ("Zheshang FoF") (Note vi)	Partnership	The PRC	**24.99**	24.99	Investment management and consulting
Zhejiang Concord Property Investment Co., Ltd. ("Zhejiang Concord Property") (Note vii)	Corporate	The PRC	**45**	45	Investment and real estate development
Shanghai Rural Commercial Bank Co., Ltd. ("SRCB") (Note viii)	Corporate	The PRC	**4.92**	4.86	Commercial banking
Zhejiang Hangning Expressway Co., Ltd. ("Zhejiang Hangning") (Note ix)	Corporate	The PRC	**30**	30	Expressway
Zheshang Zhongtuo Zheqi Supply Chain Management (Zhejiang) Co., Ltd. ("Zhongtuo Zheqi")	Corporate	The PRC	**20**	20	Supply Chain Management
CICC-Shenjiahuhang Expressway asset-backed special program ("ABS Program") (Note x)	Structured product	The PRC	**30**	30	Expressway
Zhejiang Wenzhou YongTaiWen Expressway Co., Ltd. ("YongTaiWen Co") (Note xi)	Corporate	The PRC	**15**	–	Expressway

All of the above associates are accounted for using the equity method in these consolidated financial statements.

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25. INTERESTS IN ASSOCIATES (Continued)

Notes:

(i) The Group is able to exercise significant influence over Zheshang Fund because it has the power to appoint one out of four directors of that company under the provisions stated in the Articles of Association of that company.

On August 14, 2014, Zheshang Securities, together with one of the shareholders of Zheshang Fund, Yangshengtang Co., Ltd., auctioned off their respective 25% equity interest (totalling 50%) in Zheshang Fund. The hammer price reached at Rmb414,000,000 offered by Tonglian Capital Management Co., Ltd. ("Tonglian Capital"), another shareholder of Zheshang Fund which is independent to the Group, and Zheshang Securities has received a consideration of Rmb207,000,000 accordingly.

As at December 31, 2023, the disposal transaction has not been completed and the refundable consideration of Rmb207,000,000 (2022: Rmb207,000,000) in respect of such transfer reversed by Zheshang Securities was included in other payables in Note 38.

The Directors consider the disposal required approval by China Securities Regulatory Commission and equity transfer registration, which was a lengthy process and they are not able to estimate the timing when and whether such approval would be granted. The amount of deposit received would be refundable to Tonglian Capital if the transfer eventually cannot be completed.

(ii) The Group is able to exercise significant influence over Zhejiang Communications Finance because it has the power to appoint one out of six directors of that company under the provisions stated in the Articles of Association of that company.

(iii) The Group is able to exercise significant influence over Yangtze United Financial Leasing because it has the power to appoint one out of eight directors of that company under the provisions stated in the Articles of Association of that company.

(iv) The Group is able to exercise significant influence over Taiping Insurance because it has the power to appoint one out of nine directors of that company after the capital injection.

(v) As general partner and the executive partner of FengAn Investment, the management considers the Group has significant influence over the investees.

(vi) As a limited partner of Zheshang FoF, the management considers the Group has significant influence over the investees. 24.99% is the percentage of capital commitment subscribed by the Group, the Group recognise share of profit based on the capital account allocation provided by Zheshang FoF.

25. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(vii) The Group is able to exercise significant influence over Zhejiang Concord Property because it has the power to appoint Chief financial officer of Zhejiang Concord Property under the provisions stated in the Articles of Association of that company.

(viii) The Group acquired 5,745,700 shares of SRCB and the percentage of entity interest in SRCB slightly increased from 4.86% to 4.92% during the year ended December 31, 2023. The Group can exercise significant influence over SRCB because it has the power to appoint one out of six directors of SRCB.

(ix) The Group is able to exercise significant influence over Zhejiang Hangning because it has the power to appoint two out of nine directors of that company under the provisions stated in the Articles of Association of that company.

(x) In November, 2022, The Group together with other professional institutional investors entered into the asset management agreement with China International Capital Corporation Limited("CICC") as the fund manager of the ABS Program. The Group subscribed Rmb75,000,000 of the subordinated class of the ABS Program and continued to provide operational service in relation to the underlying assets, upon which the Group can exercise significant influence over the ABS Program.

(xi) On September 28, 2023, the Company and Communications Group entered into the YongTaiWen Equity Purchase Agreement, pursuant to which the Company agreed to acquire 15% equity interest in Zhejiang Wenzhou YongTaiWen Expressway Co., Ltd. ("YongTaiWen Co") at the consideration of RMB733,096,810. The transaction was completed on October 26, 2023 upon the revision of Articles of Association and modification of business registration. The Group can exercise significant influence over YongTaiWen Co because it has the power to appoint one out of ten directors of that company under the provisions stated in the Articles of Association of that company.

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25. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Zhejiang Hangning

	12/31/2023 ***Rmb'000***	12/31/2022 *Rmb'000*
Current assets	**897,252**	492,302
Non-current assets	**6,700,583**	7,413,984
Current liabilities	**(434,561)**	(528,276)
Non-current liabilities	**(30,130)**	(16,031)

	Year ended **12/31/2023** ***Rmb'000***	Year ended 12/31/2022 *Rmb'000*
Revenue	**1,767,704**	1,477,813
Profit from continuing operations	**486,599**	207,838
Profit for the year	**486,599**	207,838
Total comprehensive income for the year	**486,599**	207,838
Dividends received from the associate during the year	**214,630**	215,887

25. INTERESTS IN ASSOCIATES (Continued)

Zhejiang Hangning (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhejiang Hangning recognised in the consolidated financial statements:

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Net asset of the associate	**7,133,144**	7,361,979
Proportion of the Group's ownership interest in Zhejiang Hangning	**30.00%**	30.00%
Carrying amount of the Group's interest in Zhejiang Hangning	**2,139,943**	2,208,594

Zhejiang Communications Finance

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Current assets	**16,831,958**	11,787,116
Non-current assets	**37,671,367**	44,227,839
Current liabilities	**(45,912,020)**	(47,913,360)
Non-current liabilities	**(29,137)**	(43,834)

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000*
Revenue	**1,633,045**	1,918,456
Profit from continuing operations	**818,647**	850,884
Profit for the year	**818,647**	850,884
Total comprehensive income for the year	**818,647**	850,884
Dividends received from the associate during the year	**63,100**	61,504

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25. INTERESTS IN ASSOCIATES (Continued)

Zhejiang Communications Finance (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhejiang Communications Finance recognised in the consolidated financial statements:

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
Net asset of the associate	8,562,168	8,057,761
Proportion of the Group's ownership interest in Zhejiang Communications Finance	20.08%	20.08%
Carrying amount of the Group's interest in Zhejiang Communications Finance	1,719,283	1,617,998

Aggregate information of associates that are not individually material

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000
The Group's share of profit from continuing operations	745,883	518,878
The Group's share of other comprehensive income/(loss)	86,812	(736)
The Group's share of total comprehensive income	832,695	518,142
Aggregate carrying amount of the Group's interests in these associates	7,631,829	6,233,049

26. INTERESTS IN JOINT VENTURES

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
Unlisted investment in joint ventures, at cost	1,373,970	373,470
Share of post-acquisition gain, net of dividends received	123,921	66,875
	1,497,891	440,345

At December 31, 2023 and 2022, the Group had interest in the following joint venture:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest and voting right attributable to the Group		Principal activities
			12/31/2023 %	12/31/2022 %	
Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co")	Corporate	The PRC	50	50	Management of the Shaoxing section of the Ningbo-Jinhua Expressway
Zhejiang Zhijiang Communications Holdings Co., Ltd. (Note i)	Corporate	The PRC	50	–	Investment

Note:

(i) Zhejiang Zhijiang Communications Holdings Co., Ltd. ("Zhijiang Communications Holdings") is a limited liability company establish in the PRC on November 28, 2023 by the Company and China Merchants Expressway Network & Technology Holdings Co., Ltd.

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26. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information in respect of each of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Shengxin Co

	12/31/2023 **Rmb'000**	12/31/2022 Rmb'000
Current assets	**577,991**	134,330
Non-current assets	**1,480,906**	1,463,019
Current liabilities	**(324,683)**	(37,949)
Non-current liabilities	**(549,248)**	(678,711)
The above amounts of assets and liabilities include the following: Cash and cash equivalents	**188,584**	133,463
Current financial liabilities (excluding trade and other payables and provisions)	**(251,023)**	(798)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(518,000)**	(643,000)

	Year ended 12/31/2023 **Rmb'000**	Year ended 12/31/2022 Rmb'000
Revenue	**550,786**	471,290
Profit for the year	**164,277**	99,541
Total comprehensive income for the year	**164,277**	99,541
Dividends received from the associate during the year	**50,000**	50,000
The above profit for the year includes the following: Depreciation and amortisation	**(186,572)**	(185,821)
Interest income	**2,609**	4,881
Interest expense	**(22,785)**	(34,287)
Income tax expense	**(55,285)**	(33,052)

26. INTERESTS IN JOINT VENTURES (Continued)

Shengxin Co (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shengxin Co recognised in the consolidated financial statements:

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Net asset of the joint venture	**1,184,966**	880,689
Proportion of the Group's ownership interest in Shengxin Co	**50.00%**	50.00%
Carrying amount of the Group's interest in Shengxin Co	**592,483**	440,345

Zhijiang Communications Holdings

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Current assets	**1,314,002**	–
Non-current assets	**10,635,177**	–
Current liabilities	**(1,231,653)**	–
Non-current liabilities	**(6,558,000)**	–

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**10,146**	–
Current financial liabilities (excluding trade and other payables and provisions)	**(274,976)**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(5,808,000)**	–

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26. INTERESTS IN JOINT VENTURES (Continued)

Zhijiang Communications Holdings (Continued)

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000*
Profit for the year	**49,815**	–
Total comprehensive income for the year	**49,815**	–
The above profit for the year includes the following:		
Interest income	**28**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhijiang Communications Holdings recognised in the consolidated financial statements:

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Net asset of Zhijiang Communications Holdings	**4,159,526**	–
Less: non-controlling interests of Zhijiang Communications Holdings' subsidiary	**(2,348,711)**	–
	1,810,815	–
Proportion of the Group's ownership interest in Zhijiang Communications Holdings	**50.00%**	–
Carrying amount of the Group's interest in Zhijiang Communications Holdings	**905,408**	–

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Financial assets mandatorily measured at FVTPL:		
– Debt securities	**25,464,795**	33,061,869
– Equity securities (Note i, ii)	**3,875,559**	1,977,229
– Funds	**8,564,248**	6,991,819
– Other investments (Note iii)	**4,014,038**	1,968,466
	41,918,640	43,999,383
Analysed as:		
– Listed (Note iv)	**11,498,377**	7,520,937
– Unlisted	**30,420,263**	36,478,446
	41,918,640	43,999,383
Analysed for reporting purposes as:		
Current assets	**41,729,113**	43,789,944
Non-current assets	**189,527**	209,439
	41,918,640	43,999,383

Notes:

(i) The restricted shares with a legally enforceable restriction that prevents the Group to dispose of within a specified period amounted to approximately Rmb57,860,000 as at December 31, 2023 (2022: Rmb270,990,000). The fair values of these securities have taken into account the relevant features including the restrictions.

(ii) As at December 31, 2023, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of Rmb7,833,652 (2022: Rmb 20,755,531) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

(iii) Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management schemes that managed by the Group till the end of the investment period.

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27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

(iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed" category.

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Analysed by type of issuers:		
– Corporate entities (Note i,ii)	**1,296,558**	820,940
– Government (Note ii)	**6,867,340**	–
	8,163,898	820,940
Analysed as:		
– Listed(Note iii)	**514,806**	128,529
– Unlisted	**7,649,092**	692,411
	8,163,898	820,940
Analysed for reporting purposes as:		
Current assets	**445,173**	250,683
Non-current assets	**7,718,725**	570,257
	8,163,898	820,940
Expected credit losses	**1,975**	1,108

Notes:

(i) It mainly comprises bonds and notes issued by corporates.

(ii) As at December 31, 2023, the fair value of securities of the Group which have been placed as collateral for financial assets sold under repurchase agreements was Rmb 5,397,901,000 (December 31, 2022: Rmb430,958,000).

(iii) Debt securities traded on stock exchanges are included in the "Listed" category.

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at fair value through other comprehensive income.

	12m ECL *Rmb'000*	Lifetime ECL (not credit-impaired) *Rmb'000*	Lifetime ECL (credit-impaired) *Rmb'000*	Total *Rmb'000*
As at January 1, 2023	1,108	–	–	1,108
Changes in the loss allowance:				
– Charged to profit or loss	867	–	–	867
As at December 31, 2023	1,975	–	–	1,975

The table below details the credit risk exposures of the debt instruments at fair value through other comprehensive income, which are subject to ECL assessment.

	12m ECL *Rmb'000*	Lifetime ECL (not credit-impaired) *Rmb'000*	Lifetime ECL (credit-impaired) *Rmb'000*	Total *Rmb'000*
As at December 31, 2023				
Gross carrying amount	8,163,898	–	–	8,163,898
As at December 31, 2022				
Gross carrying amount	820,940	–	–	820,940

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29. TRADE RECEIVABLES

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
Trade receivables			
– contracts with customers	**837,226**	569,232	480,998
Less: Allowance for credit losses	**(5,748)**	(6,348)	(5,799)
	831,478	562,884	475,199
Trade receivables (before allowance for credit losses) comprise:			
Fellow subsidiaries	**19,520**	15,663	22,921
Third parties	**817,706**	553,569	458,077
	837,226	569,232	480,998

The Group has no credit period granted to its trade customers of toll operation business. The Group's trade receivable balance for toll operation is toll receivables from the respective expressway fee settlement centre of Zhejiang Province and Anhui Province, Transportation Bureau of Linping County of Hangzhou, Transportation Bureau of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan of Hangzhou, Transportation Bureau of Jiaxing, etc.

In respect of the Group's asset management service, security commission and financial advisory service operated by Zheshang Securities, trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by the management.

29. TRADE RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
Within 3 months	420,733	358,162	342,615
3 months to 1 year	381,569	181,217	121,753
1 to 2 years	23,734	21,025	7,554
Over 2 years	5,442	2,480	3,277
	831,478	562,884	475,199

Movement of allowance for credit losses

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)
At the beginning of the year	6,348	5,799
Impairment recognised for the year	271	1,584
Amount reversed during the year	(599)	(105)
Written off	(272)	(930)
At the end of the year	5,748	6,348

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30. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
Loans to margin clients	**19,948,786**	17,568,948
Less: Impairment allowance	**(14,025)**	(11,680)
	19,934,761	17,557,268

The Group has provided customers with margin financing and security lending for securities transactions, the credit facility limits to margin clients are determined by the discounted market value of the pledged securities accepted by the Group or the market value of cash collaterals.

All of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall. The Group has the right to process forced liquidation if the customer fails to make good of the shortfall within a short period of time.

As at December 31, 2023, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' securities and cash collaterals. The undiscounted market value of the security collaterals was amounted to Rmb53,641,550,000 (2022: Rmb50,528,176,000). Cash collateral of Rmb2,380,641,000 (2022: Rmb2,417,634,000) received from clients was included in accounts payable to customers arising from securities business in Note 36.

No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The following table shows reconciliation of loss allowances that has been recognised for loans to customers arising from margin financing business.

30. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS (Continued)

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1, 2022	8,634	1,388	3,178	13,200
– Transfer to 12m ECL	53	(53)	–	–
– Transfer to Lifetime ECL (not credit-impaired)	(293)	293	–	–
– Charged to profit or loss	821	(73)	(2,268)	(1,520)
As at December 31, 2022	9,215	1,555	910	11,680
– Transfer to 12m ECL	89	(89)	–	–
– Transfer to Lifetime ECL (not credit-impaired)	(849)	849	–	–
– Charged to profit or loss	(1,415)	2,595	1,165	2,345
As at December 31, 2023	**7,040**	**4,910**	**2,075**	**14,025**

The tables below detail the credit risk exposures of the Group's loans to customers arising from margin financing business, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2023 Gross carrying amount	**18,782,496**	**1,164,213**	**2,077**	**19,948,786**
As at December 31, 2022 Gross carrying amount	16,753,901	812,627	2,420	17,568,948

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31. OTHER RECEIVABLES AND PREPAYMENTS

Non-Current

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
Entrusted loan	–	180,000
Prepayments	12,350	–
Receivables from government cooperation projects	842,123	938,363
	854,473	1,118,363

Current

	12/31/2023 Rmb'000	12/31/2022 Rmb'000 (Restated)	01/01/2022 Rmb'000 (Restated)
Entrusted loan	180,151	–	–
Prepayments	431,595	332,431	147,135
Trading deposits (Note i)	4,951,608	2,621,739	876,744
Receivables from government cooperation projects	148,270	150,320	152,805
Others	278,916	246,428	202,792
	5,990,540	3,350,918	1,379,476

Note:

(i) Trading deposits mainly represent over-the-counter option deposit and equity swap deposit.

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Analysed by collateral type:		
Bonds	**3,590,327**	2,466,160
Stock securities	**4,256,006**	3,919,744
	7,846,333	6,385,904
Less: Impairment allowance	**(116,931)**	(110,694)
	7,729,402	6,275,210
Analysed by market:		
Inter bank market	**186,805**	8,000
Shanghai/Shenzhen Stock Exchange	**7,659,528**	6,377,904
	7,846,333	6,385,904
Less: Impairment allowance	**(116,931)**	(110,694)
	7,729,402	6,275,210
Analysed for reporting purposes as:		
Current assets	**7,729,402**	6,086,210
Non-current assets	**–**	189,000
	7,729,402	6,275,210

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2023, the fair value of equity securities and debt securities held as collaterals was Rmb11,215,727,000 (2022: Rmb10,837,092,000) and Rmb3,844,169,000 (2022: Rmb3,362,016,000), respectively.

The following table shows reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

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32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

	12m ECL *Rmb'000*	Lifetime ECL (not credit-impaired) *Rmb'000*	Lifetime ECL (credit-impaired) *Rmb'000*	Total *Rmb'000*
As at January 1, 2022	20,426	3,090	96,412	119,928
– Transfer to lifetime ECL (not credit-impaired)	(2,515)	2,515	–	–
– Transfer to 12m ECL	2,888	(2,888)	–	–
– Charged to profit or loss	(10,036)	2,743	(1,941)	(9,234)
As at December 31, 2022	10,763	5,460	94,471	110,694
– Transfer to lifetime ECL (not credit-impaired)	(155)	155	–	–
– Charged to profit or loss	2,444	3,793	–	6,237
As at December 31, 2023	**13,052**	**9,408**	**94,471**	**116,931**

The tables below detail the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

	12m ECL *Rmb'000*	Lifetime ECL (not credit-impaired) *Rmb'000*	Lifetime ECL (credit-impaired) *Rmb'000*	Total *Rmb'000*
As at December 31, 2023 Gross carrying amount	**7,117,112**	**634,750**	**94,471**	**7,846,333**
As at December 31, 2022 Gross carrying amount	5,925,679	365,754	94,471	6,385,904

33. BANK BALANCES AND CLEARING SETTLEMENT FUND HELD ON BEHALF OF CUSTOMERS

For the Group's securities operation carried out by Zheshang Securities, the Group receives and holds money deposited by customers (including other institutions). These customers' money is maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective customers and other institutions.

Bank balances and clearing settlement fund held on behalf of customers carry interest at market rates which range from 0.3% to 5.90% (2022: 0.3% to 5.45%) per annum.

Bank balances and clearing settlement fund held on behalf of customers that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD *Rmb'000*	USD *Rmb'000*
As at December 31, 2023	**282,732**	**794,934**
As at December 31, 2022	190,674	289,578

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34. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH

Non-Current

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Time deposits	**3,048,619**	–

Current

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
Time deposits with original maturity over three months	**4,268,560**	203,632	413,843
Restricted bank balances and cash (Note)	**100,631**	70,179	132,090
Unrestricted bank balances and cash	**23,630,440**	22,381,227	16,213,130
Time deposits with original maturity of less than three months	**200,000**	1,608,938	1,000,867
Cash and cash equivalents	**23,830,440**	23,990,165	17,213,997
	28,199,631	24,263,976	17,759,930

Note: The restricted bank deposits include the bank acceptance deposits, fund management risk reserve, collective asset management schemes deposits and margin deposits.

Bank balances carry interest at the average market rate is 0.35% (2022: 0.41%) per annum. Time deposits carry interest at fixed rates ranging from 1.95% to 4.89% (2022: 3% to 5.19%) per annum.

34. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH (Continued)

Bank balances, clearing settlement fund, deposits and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD *Rmb'000*	USD *Rmb'000*
As at December 31, 2023	**2,028,698**	**271,850**
As at December 31, 2022	35,198	572,996

35. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Due to banks	**1,950,000**	700,000

As at December 31, 2023, the effective interest rates bearing on the outstanding amount of due to banks vary from 1.80% to 2.50% (December 31, 2022: 1.94% to 2.47%) per annum. The amount of due to banks were repayable within seven days from the end of the reporting period.

36. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

The amounts mainly represent money held on behalf of clients at the banks and clearing houses by the Group.

The amounts also include payables for securities/futures business as well as cash collaterals from customers for securities lending and/or margin financing arrangement.

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. No aged analysis is disclosed as in the opinion of the Directors, an aged analysis does not give any additional value in view of the nature of the business.

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36. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS (Continued)

As at December 31, 2023, Rmb2,380,641,000 (2022: Rmb 2,417,634,000) cash collaterals have been received from clients for securities lending or margin financing arrangement, of which under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable to customers arising from securities business that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2023	**282,732**	**794,934**
As at December 31, 2022	190,485	289,577

37. TRADE PAYABLES

Trade payables mainly represent the payables for the expressway improvement projects. The following is an aged analysis of trade payables presented based on the invoice date:

	12/31/2023 Rmb'000	12/31/2022 Rmb'000 (Restated)	01/01/2022 Rmb'000 (Restated)
Within 3 months	**668,425**	671,828	915,863
3 months to 1 year	**127,248**	142,923	134,465
1 to 2 years	**154,917**	139,799	88,521
2 to 3 years	**78,708**	39,275	62,490
Over 3 years	**235,876**	227,007	252,659
	1,265,174	1,220,832	1,453,998

38. OTHER PAYABLES AND ACCRUALS

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
Accrued payroll and welfare	**1,630,360**	1,557,456	1,458,165
Advances	**28,932**	37,756	41,712
Advance payments for settlement from securities business	**103,439**	217,977	132,296
Advance received from futures insurance	**85**	7,196	7,196
Trading deposit and settlement (Note)	**10,096,481**	5,766,292	2,577,793
Deposit received for disposal of an associate	**207,000**	207,000	207,000
Retention payable	**138,312**	121,308	120,027
Pledge deposit for warehouse receipt	**521,454**	203,959	164,438
Compensations for highway crossing	**45,977**	53,045	58,509
Clearing funds payables	**524,597**	190,430	372,137
Toll collected on behalf of other toll roads	**7,708**	4,352	3,866
Futures risk reserve	**179,764**	159,464	142,853
Government subsidies from removal of expressway toll station on provincial borders	**48,067**	61,488	93,374
Deferred income	**60,700**	76,612	93,477
Notes payable	**170,000**	–	192,400
Balance payable of share purchase	**27,500**	27,500	27,500
Others	**164,215**	232,718	228,610
	13,954,591	8,924,553	5,921,353

Note: Trading deposits mainly represent over-the-counter option deposit and equity swap deposit.

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39. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	12/31/2023		
	Nominal Amount	**Assets**	**Liabilities**
	Rmb'000	***Rmb'000***	***Rmb'000***
Equity swap	**8,202,798**	**79,828**	**56,512**
Equity option	**57,072,022**	**1,126,616**	**871,920**
Commodity futures	**32,299,545**	**33,045**	**37,547**
Commodity options	**5,554,008**	**36,954**	**28,255**
Others (Note)	**13,499,999**	**2,667**	**1,793**
	116,628,372	**1,279,110**	**996,027**

	12/31/2022		
	Nominal Amount	Assets	Liabilities
	Rmb'000	*Rmb'000*	*Rmb'000*
Equity swap	6,238,751	221,865	122,368
OTC option	60,907,168	590,511	328,571
Commodity options	1,858,477	34,717	12,579
Others (Note)	78,313,967	153,663	90,839
	147,318,363	1,000,756	554,357

Note:

Others include stock index futures, treasury futures, interest rate swap ("IRS") and other options.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury futures were settled daily. Accordingly, the net position of them in derivative instruments were nil at December 31, 2023 and 2022.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in IRS were settled daily in the corresponding payments or receipts were included in "clearing settlement funds" as at December 31, 2023. Accordingly, the net position of the IRS contracts in derivative instruments was nil at December 31, 2023 (2022: nil).

For IRS contracts and other options in mainland China not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

40. BANK AND OTHER BORROWINGS

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)	01/01/2022 *Rmb'000* (Restated)
Loans from banks, secured (Note i)	**13,207,942**	14,396,255	17,501,733
Loans from banks, unsecured	**765,675**	1,668,209	71,859
Loans from related parties, secured (Note i)	**925,558**	1,017,790	1,121,317
Loans from related parties, unsecured (Notes 57(i), 57(ii))	**2,907,768**	5,274,563	3,418,188
	17,806,943	22,356,817	22,113,097
Carrying amount repayable:			
Within one year	**4,593,399**	5,054,083	2,451,507
More than one year but not exceeding two years	**1,812,450**	4,362,670	1,557,090
More than two years but not more than five years	**4,121,454**	4,437,310	6,728,780
More than five years	**7,279,640**	8,502,754	11,375,720
	17,806,943	22,356,817	22,113,097
Less: Amounts due within one year	**(4,593,399)**	(5,054,083)	(2,451,507)
Amounts shown under non-current liabilities	**13,213,544**	17,302,734	19,661,590
The bank and other borrowings comprise:			
Fixed-rate borrowings	**3,726,547**	6,119,923	3,490,047
Variable-rate borrowings	**14,080,396**	16,236,894	18,623,050
	17,806,943	22,356,817	22,113,097

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40. BANK AND OTHER BORROWINGS (Continued)

The range of effective interest rates (which are also agreed to contract interest rates) on the Group's borrowings are as follows:

	12/31/2023	12/31/2022	01/01/2022
Effective interest rate:			
Fixed-rate borrowings	**2.70%-5.25%**	3.00%-7.08%	3.00%-4.85%
Variable-rate borrowings	**3.73%-7.43%**	3.00%-4.70%	4.08%-4.70%

Note:

i As at December 31, 2023, the Group pledged the following assets for these secured loans from financial institutions: (i) other receivables with an aggregate carrying value of Rmb 990,393,000 (2022: Rmb1,088,683,000) and (ii) expressway operating rights of Zhoushan Bay Bridge, LongLi Expressway and Lilong Expressway, Zhajiasu Expressway, and HuangQuNan Expressway (2022: expressway operating rights of Zhoushan Bay Bridge, LongLi Expressway and Lilong Expressway, Zhajiasu Expressway, and HuangQuNan Expressway) and (iii) security collaterals from loans to customers arising from margin financing business.

41. SHORT-TERM FINANCING NOTE PAYABLE

	12/31/2023	12/31/2022
	Rmb'000	*Rmb'000*
Unsecured:		
Short-term financing bonds	**1,507,582**	2,511,352
Beneficial certificates	**630,029**	1,055,673
Total	**2,137,611**	3,567,025

As at December 31, 2023, the short-term financing bond bears an interest rate at 2.50% (2022: short-term financing bonds bears an interest rate at 1.83% to 2.50%), the yields of all the outstanding beneficial certificates were between 2.35% to 7.00% (2022: 1.90% to 13.00%).

42. BONDS PAYABLE

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Corporate and subordinated bonds without redemption option (Note i, ii)	**24,280,716**	18,438,111
Medium-term notes (Note iii)	**3,048,452**	3,048,452
Infrastructure real estate investment trusts (Note iv)	**1,685,083**	1,821,006
	29,014,251	23,307,569
Less: Bonds due within 1 year	**(5,404,107)**	(7,118,247)
Amounts shown under non-current liabilities	**23,610,144**	16,189,322

Notes:

(i) This balance represented 8 corporate bonds, 2 subordinated bonds and 1 beneficial certificate (2022: 4 corporate bonds, 6 subordinated bonds and 1 beneficial certificate) due by year 2024 to 2026 (2022: 2023 to 2026) issued by Zheshang Securities, without redemption option, with fixed interest rates ranging from 2.89% to 4.08% (2022: 2.10% to 4.18%) per annum.

(ii) On July 14, 2021, the Group issued the 1.638% Bonds due 2026 in the aggregate principal amount of US$470,000,000. The Bonds will bear interest from and including 14 July 2021 at the rate of 1.638% per annum, payable semi-annually in arrear on 14 January and 14 July in each year.

(iii) This balance represented 2 medium-term notes due by year 2025 issued by the Company with fixed interest rates 2.80% and 2.97% per annum.

(iv) On June 21, 2021, the Group issued infrastructure real estate investment trusts (the "REITs") with the underlying expressway operating rights in relation to the Hangzhou section of Hanghui Expressway. The Group held 51% of the share of the REITs, with an operational period of 20 years. The REITs made distribution in June 2023 as per announcement.

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43. CONVERTIBLE BONDS

Convertible Bond 2021

On January 20, 2021, the Company issued a zero coupon convertible bond due 2026 in an aggregate principal amount of Euro230,000,000. The Convertible Bond 2021 is listed on the Stock Exchange (the "Stock Exchange").

The principal terms of the Convertible Bond 2021 are set out below:

(1) Conversion right

The Convertible Bond 2021 will, at the option of the holder (the "Bondholders 2021"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after March 2, 2021 up to January 10, 2026 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2021") of HK$8.83 per H share and a fixed exchange rate of HK$9.5145 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2021 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. The latest Conversion Price 2021 was HK$6.69 per H share.

(2) Redemption

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond 2021 at 100 percent of its outstanding principal amount on the maturity date of January 20, 2026 (the "Maturity Date 2021").

43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021 (Continued)

(2) Redemption (Continued)

(ii) Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice, redeem the Convertible Bond 2021 in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date.

(a) at any time after January 20, 2024 but prior to the Maturity Date 2021, provided that no such redemption may be made unless the closing price of an H share translated into Euro at the prevailing rate applicable to each Stock Exchange business day, for any 20 Stock Exchange business days within a period of 30 consecutive Stock Exchange business days, the last of such Stock Exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 Stock Exchange business days, at least 130 percent of the Conversion Price 2021 (translated into Euro at the Fixed Exchange Rate); or

(b) if at any time the aggregate principal amount of the Convertible Bond 2021 outstanding is less than 10 percent of the aggregate principal amount originally issued.

(iii) Redemption at the option of the bondholders

The Company will, at the option of the Bondholders, redeem whole or some of that holder's bond on January 20, 2024 (the "Put Option Date") at their outstanding principal amount on that Date.

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43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021 (Continued)

(2) Redemption (Continued)

(iii) Redemption at the option of the bondholders (Continued)

The Convertible Bond 2021 comprises two components:

(a) Debt component was initially measured at fair value amounted to Euro183,297,000 (equivalent to Rmb1,443,009,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.74%.

(b) Derivative component comprises conversion right of the bondholders, redemption option of the Company, and redemption option of the bondholders.

Transaction costs totalling Rmb8,427,515 that relate to the issue of the Convertible Bond 2021 are allocated to the components (including conversion right and redemption options) in proportion to their respective fair values.

Transaction costs amounting to approximately Rmb1,711,247 relating to the derivative component were charged to profit or loss during the year ended December 31, 2021. Transaction costs amounting to approximately Rmb6,716,268 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2021 using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers.

43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021 (Continued)

(2) Redemption (Continued)

(iii) Redemption at the option of the bondholders (Continued)

The movement of the debt and derivative components of the Convertible Bond 2021 for the years ended December 31, 2023 and 2022 is set out as below:

	Debt component at amortised cost		Derivative components at FVTPL		Total	
	Euro'000	*Rmb'000*	*Euro'000*	*Rmb'000*	*Euro'000*	*Rmb'000*
As at January 1, 2022	190,374	1,374,445	47,124	340,217	237,498	1,714,662
Exchange realignment	–	37,073	–	–	–	37,073
Interest charge	9,027	68,617	–	–	9,027	68,617
Gain on changes in fair value	–	–	(5,594)	(31,951)	(5,594)	(31,951)
As at December 31, 2022	199,401	1,480,135	41,530	308,266	240,931	1,788,401
Exchange realignment	**–**	**79,600**	**–**	**–**	**–**	**79,600**
Interest charge	**28,080**	**228,084**	**–**	**–**	**28,080**	**228,084**
Gain on changes in fair value	**–**	**–**	**(38,012)**	**(280,620)**	**(38,012)**	**(280,620)**
As at December 31, 2023	**227,481**	**1,787,819**	**3,518**	**27,646**	**230,999**	**1,815,465**

As of December 22, 2023, pursuant to the terms and conditions of the bonds, notice of redemption had been served on the Company requiring the Company to redeem part of the bonds at the principal amount of Euro 202,600,000. Such redemption rights were executed on January 20, 2024 and the outstanding Bonds in the principal amount were Euro27,400,000 subsequently.

The detailed key inputs the valuers use to calculate the fair value of the derivative component refer to Note 53(c).

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43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2022

On June 14, 2022, Zheshang Securities, a subsidiary of the Company, issued a convertible bond due 2028 (the "Maturity Date 2022") in an aggregate principal amount of Rmb7,000,000,000 (the "Convertible Bond 2022"). The Convertible Bond 2022 is listed and trading on Shanghai Stock Exchange. The coupon rate is 0.2% per annum for the first year, 0.4% per annum for the second year, 0.6% per annum for the third year, 1.0% per annum for the fourth year, 1.5% per annum for the fifth year, 2.0% per annum for the sixth year, and will be paid annually.

Out of the principal amount of Rmb7,000,000,000, Rmb3,833,185,000 was subscribed by Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co"), another subsidiary of the Group. The principal terms of the Convertible Bond 2022 are set out below:

(1) Conversion right

The Convertible Bond 2022 will, at the option of the holders (the "Bondholders 2022"), be convertible (unless previously redeemed, converted or purchased and cancelled) during the period from December 20, 2022 up to June 13, 2028, into fully paid ordinary shares of Zheshang Securities with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2022") of Rmb10.49 per share. The initial conversion price will be adjusted when Zheshang Securities distributes stock dividends, capitalises common reserves into share capital, issues new shares (excluding the increase in share capital due to the conversion of the Convertible Bond 2022 issued) or places new shares, distributes cash dividend.

When the share price of Zheshang Securities is less than 80% of the conversion price for any 15 business days within a period of 30 consecutive business days prior to the maturity date of the Convertible Bond 2022 (the "Maturity Date 2022"), the board of directors of Zheshang Securities has the right to propose a downward revision resolution on conversion price, and submits it to the shareholder's meeting of Zheshang Securities for approval. As at December 31, 2023, the latest conversion price was Rmb10.19 per share.

43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2022 (Continued)

(2) Redemption

(i) Redemption at maturity

Zheshang Securities will redeem all outstanding Convertible Bond 2022 at 106 percent of its outstanding principal amount (including the last instalment of interest payment) within five business days from the Maturity Date 2022.

(ii) Redemption on conditions

During the conversion period of the Convertible Bond 2022, upon the occurrence of any of the following two conditions, Zheshang Securities is entitled to redeem all or part of the outstanding Convertible Bond 2022 based on the par value and interest in arrears:

(a) During the conversion period of the Convertible Bond 2022, for any 15 business days within a period of 30 consecutive business days, the closing share price of Zheshang Securities is not less than 130 percent (including 130 percent) of the conversion price;

(b) When the aggregate principal amount of the outstanding Convertible Bond 2022 is less than Rmb30,000,000.

Convertible Bond 2022 contains a liability component and an equity component. At initial recognition, the equity component of the Convertible Bond 2022 was separated from the liability component. As the Convertible Bond 2022 was issued by a subsidiary of the Company and is convertible into that subsidiary's own shares, the equity element is considered as non-controlling interests. The effective interest rate of the liability component is 3.3564% per annum.

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For the year ended December 31, 2023

43. CONVERTIBLE BONDS (Continued)

Convertible Bond 2022 (Continued)

(2) Redemption (Continued)

(ii) Redemption on conditions (Continued)

Changes in the liability and equity component of the Convertible Bond 2022 since the issuance of Convertible Bond 2022 to December 31, 2023 are set out as below:

	Liability Component *Rmb'000*	Equity Component *Rmb'000*	Total *Rmb'000*
Issuance on June 14, 2022	2,856,082	310,732	3,166,814
Issue cost	(12,782)	(1,387)	(14,169)
Interest charge	71,825	–	71,825
Addition	1,008,644	166,912	1,175,556
Conversion into shares	(97)	(10)	(107)
At December 31, 2022	3,923,672	476,247	4,399,919
Interest charge	**184,217**	**–**	**184,217**
Interest paid	**(11,163)**	**–**	**(11,163)**
Addition (Note i)	**2,529,887**	**804,528**	**3,334,415**
Conversion into shares (Note ii)	**(146)**	**(15)**	**(161)**
At December 31, 2023	**6,626,467**	**1,280,760**	**7,907,227**

Notes:

(i) During the year ended December 31, 2023, Shangsan Co disposed the Convertible Bond 2022 held on hand with the principal amount of Rmb2,715,347,000 (2022: Rmb1,117,838,000). Upon the disposal, this balance is no longer an intragroup assets and liabilities which were eliminated in full on consolidation, and is considered as an addition during the year.

(ii) During the year ended December 31, 2023, the bondholders converted part of the Convertible Bond 2022 with a principal amount of Rmb157,000 to the shares of Zheshang Securities.

As at December 31, 2023, Zheshang Securities had not exercised the redemption rights.

44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
Analysed as collateral type:		
Bonds	**24,569,621**	23,825,242
Equity securities	**22,524**	–
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	**4,206,992**	5,766,118
Inter-bank market	**20,385,153**	18,059,124
	24,592,145	23,825,242

As at December 31, 2023 and 2022, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, with maturities within 1 year.

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities. The cash proceed received is recognised as financial liability.

As at December 31, 2023 and 2022, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

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44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities as at December 31, 2023 and December 31, 2022.

	Financial assets at FVTPL Rmb'000	Financial assets at FVTOCI Rmb'000	Total Rmb'000
As at December 31, 2023			
Carrying amount of transferred assets	**16,335,665**	**5,397,901**	**21,733,566**
Carrying amount of associated liabilities	**(15,069,991)**	**(4,905,813)**	**(19,975,804)**
Net position	**1,265,674**	**492,088**	**1,757,762**
As at December 31, 2022			
Carrying amount of transferred assets	25,303,293	430,958	25,734,251
Carrying amount of associated liabilities	(16,485,206)	(334,413)	(16,819,619)
Net position	8,818,087	96,545	8,914,632

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2023 ***Rmb'000***	12/31/2022 *Rmb'000*
Financial liabilities held for trading:		
– Securities	**331,350**	915,407
– Funds	**33,114**	60,636
Financial liabilities designated at FVTPL:		
– Financial liabilities arising from consolidation of structured entities (Note)	**107,597**	81,599
	472,061	1,057,642

45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note: Financial liabilities designated at FVTPL arising from consolidation of structured entities represent the third party unit holders' interests in the consolidated structure schemes and funds. Interests in these consolidated structured entities directly held by the Group amounted to fair value of Rmb 1,947,766,000 and Rmb2,391,869,000 at December 31, 2023 and 2022, respectively. The total assets of the consolidated structured entities amounted to Rmb 2,631,450,000 and Rmb3,661,442,000 at December 31, 2023 and 2022, respectively.

The Group has designated these liabilities as FVTPL, as in the opinion of the management, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

46. LEASE LIABILITIES

	12/31/2023	12/31/2022
	Rmb'000	*Rmb'000*
Lease liabilities payables		
Within one year	**147,914**	119,678
Within a period of more than one year but no more than two years	**123,731**	93,225
Within a period of more than two years but no more than five years	**184,120**	193,989
Within a period of more than five years	**19,665**	37,138
	475,430	444,030
Less: Amounts due for settlement with 12 months shown under current liabilities	**(147,914)**	(119,678)
Amount due for settlement after 12 months shown under non-current liabilities	**327,516**	324,352

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47. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Deferred tax assets	**1,446,067**	1,416,809
Deferred tax liabilities	**(260,060)**	(481,066)
	1,186,007	935,743

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Changes in fair value of financial instruments carried at fair value *Rmb'000*	Difference in tax and accounting depreciation of property plant and equipment and expressway operating rights *Rmb'000*	Fair value adjustment of long term assets arising from business combination *Rmb'000*	Temporary differences of accrued expenses and impairment losses and tax losses and others *Rmb'000*	Total *Rmb'000*
At January 1, 2022	(163,542)	971,551	(146,061)	478,326	1,140,274
Charge (credit) to profit or loss	62,220	(78,324)	12,627	45,565	42,088
Charge to other comprehensive income	2,264	–	–	(277)	1,987
Transfer out through disposal of a subsidiary	–	(200,322)	–	(48,284)	(248,606)
At December 31, 2022	**(99,058)**	**692,905**	**(133,434)**	**475,330**	**935,743**
Charge (credit) to profit or loss	**974**	**(21,264)**	**13,817**	**269,772**	**263,299**
Charge to other comprehensive income	**(12,818)**	**–**	**–**	**(217)**	**(13,035)**
At December 31, 2023	**(110,902)**	**671,641**	**(119,617)**	**744,885**	**1,186,007**

47. DEFERRED TAXATION (Continued)

As at December 31, 2023, a deferred tax asset of Rmb128,138,000 in relation to unused tax losses for LongLiLiLong Co has been recognised in the consolidated statement. In addition, the Group had unused tax losses of approximately Rmb476,852,000 (2022: Rmb2,118,100,000) and differences in tax and accounting of expressway operating rights of approximately Rmb911,815,000 (2022: Rmb917,950,000 as restated) for which deferred tax was not recognised due to uncertainty of future taxable income. The expiry dates of the unrecognised tax losses are listed as below.

	12/31/2023	12/31/2022
	Rmb'000	*Rmb'000*
2023	**–**	418,124
2024	**–**	478,586
2025	**12,615**	667,480
2026	**31,668**	304,342
2027	**144,869**	249,568
2028	**287,700**	–
	476,852	2,118,100

48. SHARE CAPITAL

	Number of shares			**Share Capital**		
	Domestic Shares	H Shares	Total	Domestic Shares	H Shares	Total
	'000	*'000*	*'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Registered, issued and fully paid:						
At January 1, 2022 and December 31, 2022	2,909,260	1,433,855	4,343,115	2,909,260	1,433,855	4,343,115
Rights issue	1,105,519	544,864	1,650,383	1,105,519	544,864	1,650,383
At December 31, 2023	4,014,779	1,978,719	5,993,498	4,014,779	1,978,719	5,993,498

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997.

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48. SHARE CAPITAL (Continued)

Pursuant to the CSRC's written approval in respect of the Rights Issue, i.e. the Approval Regarding the Registration of Shares to be Issued by Zhejiang Expressway Co., Ltd. to Specific Targets (Zheng Jian Xu Ke [2023] No. 2473) (《關於同意浙江滬杭甬高速公路股份有限公司向特定對象發行股票註冊的批覆》(證監許可[2023]2473號)), new domestic rights shares were allotted to Communications Group on the basis of three point eight domestic rights shares for every ten existing domestic rights shares, while new H rights shares were allotted to qualified H Shares holders on the basis of three point eight H rights shares for every ten existing H Shares.

544,864,710 new H rights shares were issued at a price of HK$4.06 per share, raising approximately HK$2.2 billion in total. The new H Shares were listed on the Hong Kong Stock Exchange on December 14, 2023. As at the time of listing of H shares, approximately RMB4.1 billion in total has also been received for 1,105,518,800 new domestic rights shares at a price of RMB3.73 per share.

After the completion of the above right issues, a total of 1,650,383,510 new share were issued. The fund raised in excess of the par value of the new shares (net of issuance cost) was credited to share premium.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

49. NON-CONTROLLING INTERESTS

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Shangsan Co and its subsidiaries, Linping Co, and Zhajiasu Co (as defined in Note 58) at the end of the Reporting Period are set out below. The summarised financial information below represents amounts before intragroup elimination with the Company.

Shangsan Co and its subsidiaries

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Current assets	**139,345,784**	136,360,358
Non-current assets	**11,882,573**	4,887,621
Current liabilities	**95,092,076**	96,961,620
Non-current liabilities	**22,590,243**	12,600,288
Equity attributable to owners of the Company	**14,655,985**	14,049,531
Non-controlling interests	**18,890,053**	17,636,540
Revenue	**7,480,666**	7,075,848
Expenses	**(5,291,516)**	(4,913,813)
Profit for the year	**2,189,150**	2,162,035
Other comprehensive income for the year	**43,011**	15,827
Total comprehensive income for the year	**2,232,161**	2,177,862
Profit attributable to owner of the Company	**992,980**	1,005,941
Profit attributable to non-controlling interests	**1,196,170**	1,156,094
	2,189,150	2,162,035
Total comprehensive income attributable to owner of the Company	**1,010,308**	1,012,259
Total comprehensive income attributable to non-controlling interests	**1,221,853**	1,165,603
	2,232,161	2,177,862
Dividends paid to non-controlling shareholders	**(323,381)**	(493,565)
Net cash inflow from operating activities	**2,661,928**	4,215,003
Net cash outflow from investing activities	**(7,763,620)**	(1,198,936)
Net cash inflow/(outflow) from financing activities	**3,642,509**	(1,979,915)
Net cash (outflow)/inflow	**(1,459,183)**	1,036,152

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49. NON-CONTROLLING INTERESTS (Continued)

Linping Co

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
Current assets	**790,369**	676,505
Non-current assets	**546,354**	596,113
Current liabilities	**85,287**	94,284
Non-current liabilities	**5,187**	5,543
Equity attributable to owners of the Company	**635,587**	598,123
Non-controlling interests	**610,662**	574,668
Revenue	**247,370**	195,206
Expenses	**(151,346)**	(119,109)
Profit for the year	**96,024**	76,097
Profit and total comprehensive income		
– attributable to owner of the Company	**48,972**	38,809
– attributable to non-controlling interests	**47,052**	37,288
	96,024	76,097
Dividends paid to non-controlling shareholders	**(11,058)**	(11,058)
Net cash inflow from operating activities	**141,252**	49,883
Net cash outflow from investing activities	**(2,936)**	(4,987)
Net cash outflow from financing activities	**(22,567)**	(22,567)
Net cash inflow	**115,749**	22,329

49. NON-CONTROLLING INTERESTS (Continued)

Zhajiasu Co

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
Current assets	**544,384**	119,901
Non-current assets	**2,128,331**	2,813,460
Current liabilities	**339,382**	377,218
Non-current liabilities	**1,022,069**	1,236,999
Equity attributable to owners of the Company	**721,195**	725,529
Non-controlling interests	**590,069**	593,615
Revenue	**477,037**	389,622
Expenses	**(484,917)**	(471,654)
Loss for the year	**(7,880)**	(82,032)
Profit and total comprehensive income		
– attributable to owner of the Company	**(4,334)**	(45,118)
– attributable to non-controlling interests	**(3,546)**	(36,914)
	(7,880)	(82,032)
Dividends paid to non-controlling shareholders	**–**	–
Net cash inflow from operating activities	**373,478**	267,472
Net cash (outflow)/inflow from investing activities	**(29,204)**	71,097
Net cash outflow from financing activities	**(329,950)**	(365,994)
Net cash inflow/(outflow)	**14,324**	(27,425)

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50. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. To supplement this existing retirement benefits scheme, the Group adopted a corporate annuity scheme in accordance with relevant rules and regulations. The Group is required to contribute a certain percentage of payroll costs to these retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

51. COMMITMENTS

	12/31/2023	12/31/2022
	Rmb'000	*Rmb'000*
Authorised but not contracted for:		
– Purchase of machinery and equipment	**968,391**	1,214,428
– Acquisition and construction of properties	**428,765**	1,156,293
– Reconstruction and expansion projects of existing expressways	**3,780,000**	2,500,000
Contracted for but not provided:		
– Equity investments	**1,061,250**	860,245
Total	**6,238,406**	5,730,966

52. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings and lease liabilities disclosed in Notes 40, 41, 42, 43, 44 and 46, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

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53. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	12/31/2023 Rmb'000	12/31/2022 Rmb'000 (Restated)
Financial assets		
Financial assets at FVTPL	41,918,640	43,999,383
Financial assets at FVTOCI	8,163,898	820,940
Derivative financial assets	1,279,110	1,000,756
Financial assets at amortised cost	111,560,176	101,351,991
Financial liabilities		
Derivative financial liabilities	996,027	554,357
Financial liabilities at FVTPL	472,061	1,057,642
Convertible Bonds		
– derivative component	27,646	308,266
Financial liabilities at amortised cost	130,657,729	129,291,177

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loans to customers arising from margin financing business, other receivables, derivative financial assets, financial assets at FVTPL, debt instruments at FVTOCI, financial assets held under resale agreements, bank balances, clearing settlement fund held on behalf of customers, pledged bank deposits, clearing settlement fund, deposits and cash, placements from other financial institutions, accounts payable to customers arising from securities business, trade payables, other payables, derivative financial liabilities, bank and other borrowings, short-term financing note payable, bonds payable, convertible bonds and financial guarantee, financial assets sold under repurchase agreements, financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk, and other price risk), credit risk and impairment assessment, and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to debt instruments at FVTOCI, loans to customers arising from margin financing business, financial assets held under resale agreements, fixed-rate time deposits, placements from other financial institutions, fixed-rate bank and other borrowings, fixed rate short-term financing note payable, bonds payable, debt component of convertible bonds, financial assets sold under repurchase agreements and financial liabilities at FVTPL (see Notes 28, 30, 32, 34, 35, 40, 41, 42, 43, 44 and 45 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings (see Notes 33, 34 and 40 for details).

The Group currently does not have an interest rate risk hedging policy as the management considers the Group is not exposed to significant interest rate risk. The management will continue to monitor interest rate risk exposure and consider hedging against it should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

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53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings at the end of the reporting period.

The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2022: 50 basis points) increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2023 would have increased/decreased by Rmb 221,938,000 (2022: Rmb212,895,000, as restated). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and clearing settlement fund.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk

Several subsidiaries of the Group have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	12/31/2023	12/31/2022	**12/31/2023**	12/31/2022
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Hong Kong dollar ("HKD")	**2,311,475**	225,872	**282,732**	190,485
United States dollar ("USD")	**1,066,784**	862,574	**4,123,803**	3,562,939
Euro dollar ("EUR") (Note)	**–**	–	**1,815,465**	1,788,401

Note: Amount represented both the debt and derivative component of the Convertible Bond 2021.

Sensitivity analysis

The Group is mainly exposed to HKD, USD and EUR relative to Rmb. The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in Rmb against the relevant foreign currencies. 10% (2022: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2022: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where Rmb strengthen 10% (2022: 10%) against the relevant currency. For a 10% (2022: 10%) weakening of Rmb against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis (Continued)

	HKD impact		USD impact		EUR impact	
	12/31/2023	12/31/2022	**12/31/2023**	12/31/2022	**12/31/2023**	12/31/2022
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*	***Rmb'000***	*Rmb'000*
Profit or loss	**(152,880)**	(2,654)	**229,276**	202,527	**136,157**	134,130

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity and debt security price risk in relation to its financial assets at FVTPL, derivative financial assets and liabilities and financial liabilities at FVTPL.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis

For financial instruments other than derivative component of Convertible Bond 2021

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% (2022: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2023 would have increased/decreased by Rmb1,571,949,000 as a result of the changes in fair value of financial assets at FVTPL.

- post-tax profit for the year ended December 31, 2022 would have increased/decreased by Rmb1,649,977,000 as a result of the changes in fair value of financial assets at FVTPL.

For derivative component of Convertible Bond 2021

The price risk in 2023 came from the derivative component of Convertible Bond 2021.

The exposure to foreign currency exchange rate of the Convertible Bond 2021 had been covered in Note 53(b)(ii) already.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

For derivative component of Convertible Bond 2021 (Continued)

Conversion option derivatives of Convertible Bond 2021

1) Changes in share price

If the share price of the Company had been 10% (2022:10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decreased) increased as follows:

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000*
Higher by 10%	**(5,746)**	(61,517)
Lower by 10%	**465**	35,379

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

For derivative component of Convertible Bond 2021 (Continued)

Conversion option derivatives of Convertible Bond 2021 (Continued)

2) Changes in volatility

If the volatility to the valuation model had been 10% (2022:10%) higher/lower while all other variables were held constant, the Group's profit for the year would have (decreased)/increased as follows:

	Year ended 12/31/2023 ***Rmb'000***	Year ended 12/31/2022 *Rmb'000*
Higher by 10%	**(1,408)**	(17,962)
Lower by 10%	**465**	12,818

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at December 31, 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 provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in Note 56.

The credit risk on liquid funds, representing bank balance, clearing settlement fund, deposits and cash is limited because the counterparties are state-owned banks or banks with high credit ratings assigned by international credit-rating agencies.

Other items under the Group's different operations with credit risk and corresponding impairment assessment are set out below:

Toll operation and high grade road construction service

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances arising from toll operation on collective basis on individual basis, using life-time ECL under the simplified approach.

The Group has no credit period granted to its trade customers of toll operation. All the Group's trade receivable balances for toll operation, upon the conditions satisfied, are receivable from the government-operated organisations. In this regard, the Directors consider that the credit risk is low as the Group has no history of loss experience with the government-operated organisations in the past. No significant ECL was recognised as at December 31, 2023 and 2022.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation

The Group's securities operation currently faces credit risk primarily from loans to customers arising from margin financing business, and financial assets held under resale agreements which are secured by clients' securities or deposits held as collateral. It refers to the risk of loss arising from the debtor's failure to meet its contractual obligations in a timely manner.

i) Credit risk management

Credit risk from loans to customers arising from margin financing business and financial assets held under resales agreements mainly including the debtor falsifying the application, failing to repay debts, violating the agreement, violating regulatory discipline of trading behaviour, and providing collateral that involves law dispute, etc. The Group management authorises professional personnel to examine and approve the credit limit of these businesses, as well as adjust such credit limit in accordance with the regular assessment of the debtor's repayment capacity. Risk management division oversights the collaterals and usage of related credit limit, and initiates margin call if necessary. Once the debtor fail to enhance the collateral to the account, the credit risk will be controlled by liquidating the pledged securities.

ii) Measurement of ECL

Since January 1, 2018, The Group has applied the ECL model to measure the expected credit losses for applicable financial assets mainly including loans to customers arising from margin financing business and financial assets held under resale agreements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL (Continued)

The group has used the "3 stage" ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition:

(i) An asset moves to stage 1 where there has low risk of default or has not been a significant increase in credit risk and that are not credit impaired. The Group will continuously monitor its credit risk;

(ii) An asset moves to stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Group does not see it as an impairment loss occurred instrument;

(iii) An asset moves to stage 3 when impairment losses occurred; and

(iv) The loss impairment for financial instruments in stage 1 is anticipated credit losses for the next 12 months, which correspond to the amount of anticipated credit losses for the entire life time resulting from possible defaults within the next 12 months. In the second or third stage, the expected credit losses of financial instruments are measured for the entire life time and the expected credit losses are recorded.

The factors the Group considers whether credit risk increases significantly refer to Note 6. In particular, for loans to customers arising from margin financing business and financial assets held under resale agreement, the Group generally believes that when the loan to collateral ratio determined by fair value reaches the warning line, the credit risk increases significantly and needs to be transferred to "stage 2", and when the loan to collateral ratio determined by fair value reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to "stage 3".

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL (Continued)

The Group uses PD, EAD and LGD to measure credit risks:

(i) PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions;

(ii) EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life; and

(iii) LGD is an estimate of the loss arising on default. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

The assessment of significant increase in credit risk and the measurement of ECL all involve forward-looking information. When considering macroeconomic forward-looking adjustments, the Group simulates optimistic, extremely optimistic, pessimistic, and extremely pessimistic scenarios by adjusting the coefficients of the baseline scenario, and assigns corresponding weights. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and ECL of each asset portfolio.

The Group regularly forecasts the economic condition by selecting various indicators within the macroeconomic indicator pool to make a sound estimation of the ECL.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

In order to determine the relationship between these economic indicators and the default probability as well as the default loss rate, the Group constructs an econometric model to determine the impact of historical changes in these indicators on the PD and LGD.

The Group makes forward-looking estimation of the ECL based on the scenario reflecting key economic indicators above. The Group accrues the credit loss provisions for the next 12 months for financial assets in Stage 1, and accrues the credit loss provisions for the whole life for those financial assets in Stage 2 and Stage 3. The Group has classified exposures with similar risk characteristics when calculating anticipated credit loss impairment in a portfolio. During the classification, the Group obtained sufficient information to ensure its statistical reliability.

Other operations

In respect of the Group's other operations, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group did not experience significant credit loss on its other operations, and performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items (Note)
Low risk (stage 1)	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful (stage 2)	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss (stage 3)	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Note: Other financial assets include loans to customers arising from margin financing business, bank balances, clearing settlement fund, deposits and cash, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, debt instruments at FVTOCI, financial assets held under agreements and other receivables.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-months or lifetime ECL	**12/31/2023 Gross carrying amount** ***Rmb'000***	12/31/2022 Gross carrying amount *Rmb'000* (Restated)
Financial assets						
Debt instruments at FVTOCI	28	N/A	Low risk	12-month ECL	**8,163,898**	820,940
Trade receivables (Note i)	29					
– toll operation		N/A	Low risk	Lifetime ECL	**545,379**	249,088
– securities operation		N/A	Low risk	Lifetime ECL	**284,654**	309,700
– others		N/A	Low risk	Lifetime ECL	**7,193**	10,444
Loans to customers arising from margin financing business						
– securities operation	30	N/A	Low risk	12-month ECL	**18,782,496**	16,753,901
			Doubtful	Lifetime ECL – not credit-impaired	**1,164,213**	812,627
			Loss	Lifetime ECL – credit-impaired	**2,077**	2,420
Bank balances, clearing settlement fund, deposit and cash	34	AA to AAA	Low risk	12-month ECL	**31,248,250**	24,263,976

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

	Notes	External credit rating	Internal credit rating	12-months or lifetime ECL	**12/31/2023 Gross carrying amount** ***Rmb'000***	12/31/2022 Gross carrying amount *Rmb'000* (Restated)
Bank balances and clearing settlement fund held on behalf customers – securities operation	33	AA	Low risk	12-month ECL	**45,415,217**	48,744,803
Financial assets held under resale agreements – securities operation	32	N/A	Low risk	12-month ECL	**7,117,112**	5,925,679
			Doubtful	Lifetime ECL– not credit-impaired	**634,750**	365,754
			Loss	Lifetime ECL– credit-impaired	**94,471**	94,471
Other receivables	31	N/A	Low risk	12-month ECL	**6,463,994**	4,178,578
Other items						
Financial guarantee contracts (Note ii) – toll operation	56	N/A	Low risk	12-month ECL	**259,484**	321,899

Notes:

i. During the year ended December 31, 2023, the Group provided ECL on trade receivables by Rmb5,748,000 (2022: Rmb6,348,000, as restated).

ii. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Concentration of credit risk

As at December 31, 2023, other than the concentration of credit risk on trade receivables and financial guarantee contract amounting to Rmb837,226,000 (2022: Rmb569,232,000, as restated), and Rmb259,484,000 (2022: Rmb321,899,000), respectively, of which these balances were only limited and concentrated to a few counterparties, the Group does not have any other significant concentrations of credit risk.

There are also no concentration risks on its margin financing business and financial assets held under resale agreements as at December 31, 2023 and 2022 respectively as the Group has a large number of clients who are dispersed.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

Liquidity risk

Most of the bank balances, clearing settlement fund, pledged bank deposits and cash at December 31, 2023 and 2022 were denominated in Rmb which is not a freely convertible currency in the international market. The exchange rate of Rmb is regulated by the PRC government and the remittance of these Rmb funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. Liquidity risk analysis below excludes derivative component of Convertible Bond 2021 as the settlement of which does not involve cash settlement. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months Rmb'000	3 months – 1 year Rmb'000	1 – 3 years Rmb'000	3 – 5 years Rmb'000	over 5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at year end Rmb'000
2023								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	44,803,323	–	–	–	–	44,803,323	44,803,323
Trade payables	–	1,265,174	–	–	–	–	1,265,174	1,265,174
Other payables	–	696,520	–	–	–	–	696,520	696,520
Bank and other borrowings								
– fixed rate	2.70%-5.25%	2,360,057	963,137	451,015	–	–	3,774,209	3,726,547
– variable rate	3.73%-7.43%	132,765	1,683,870	3,244,412	3,006,150	9,286,371	17,353,568	14,080,396
Short-term financing note payable	2.89%	1,985,585	162,338	–	–	–	2,147,923	2,137,611
Financial assets sold under repurchase agreements	4.14%	24,636,064	–	–	–	–	24,636,064	24,592,145
Placements from other financial institutions	2.05%	1,950,778	–	–	–	–	1,950,778	1,950,000
Bonds payable	3.27%	158,063	5,932,643	23,412,573	584,570	1,107,732	31,195,581	29,014,251
Convertible Bonds								
– debt component	3.36%-4.74%	1,592,274	27,999	111,995	7,454,720	–	9,186,988	8,441,932
Lease liabilities	3.62%-5.35%	46,444	101,318	240,416	115,486	26,121	529,785	475,430
Financial guarantee	–	259,484	–	–	–	–	259,484	–
Financial liabilities at fair value through profit or loss	–	364,464	107,597	–	–	–	472,061	472,061
		80,250,995	8,978,902	27,460,411	11,160,926	10,420,224	138,271,458	131,655,390

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	On demand or less than 3 months Rmb'000	3 months – 1 year Rmb'000	1 – 3 years Rmb'000	3 – 5 years Rmb'000	over 5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at year end Rmb'000
2022 (restated)								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	48,449,595	–	–	–	–	48,449,595	48,449,595
Trade payables	–	1,220,832	–	–	–	–	1,220,832	1,220,832
Other payables	–	460,290	–	–	–	–	460,290	460,290
Bank and other borrowings								
– fixed rate	3%-7.08%	135,537	3,629,063	2,996,402	–	–	6,761,002	6,119,923
– variable rate	3%-4.70%	228,932	1,489,803	3,572,822	3,518,895	10,442,266	19,252,718	16,236,894
Short-term financing note payable	3.17%	3,468,558	210,789	–	–	–	3,679,347	3,567,025
Financial assets sold under repurchase agreements	3.68%	23,831,743	–	–	–	–	23,831,743	23,825,242
Placements from other financial institutions	2.20%	700,300	–	–	–	–	700,300	700,000
Bonds payable	3.32%	92,209	7,587,916	10,361,235	5,976,450	1,387,522	25,405,332	23,307,569
Convertible Bonds								
– debt component	3.36%-4.74%	–	13,501	70,000	1,655,135	7,419,967	9,158,603	5,403,807
Lease liabilities	3.62%-5.35%	12,771	107,172	208,708	127,024	50,631	506,306	444,030
Financial guarantee	–	321,899	–	–	–	–	321,899	–
Financial liabilities at fair value through profit or loss	–	976,043	81,599	–	–	–	1,057,642	1,057,642
		79,898,709	13,119,843	17,209,167	11,277,504	19,300,386	140,805,609	130,792,849

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of the interest rates determined at the end of the reporting period.

As at December 31, 2023 and 2022, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as financial assets held under resale agreement, financial assets at FVTPL, loans to customers arising from margin financing business, placements from other financial institutions and financial assets sold under repurchase agreements, financial liabilities FVTPL, etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favourable contracts is significantly reduced by the collaterals received by the Group which could be recovered to the extent if a default occurs, in respect of the outstanding receivable amounts from the counterparty.

The analysis above does not include the cash flow of derivatives, which do not have material impact on the cash flow of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level 2, the valuation techniques applied include discounted cash flow, recent transaction price and net asset value method. The significant observable inputs used in the valuation techniques used for Level 2 include future cash flows estimated based on applying the interest yield curves, net asset values determined with reference to observable (quoted) prices of underlying investment portfolio, contractual terms, forward interest rates and forward exchanges.

For financial instruments categorised within Level 3, fair values are determined by using valuation techniques, including valuation methods such as discounted cash flow model, the option pricing model, net asset value method and recent transaction price method. Determinations to classify fair value measures within Level 3 are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs used for the major financial instruments in Level 3.

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity securities	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model.	Discount for lack of marketability. The volatility of the share prices of the securities.	The higher the discount, the lower the fair value. The higher the volatility, the lower the fair value.
Debt investments	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount rate	The higher the discount, the lower the fair value.
Trust products	Level 3	The fair value is determined with reference to the net asset value of the underlying investments with an adjustment of discount for the credit risk of counterparty.	Discount rate	The higher the discount, the lower the fair value.
Equity securities/ Unlisted equity investments	Level 3	Recent transaction price with an adjustment of discount for the marketability.	Discount for lack of marketability.	The higher the discount, the lower the fair value.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Interests attributable to other holders of consolidated structured entities	Level 3	The fair value is determined with reference to the net asset value of the structured entities, calculated based on pricing/yield of comparable companies with an adjustment of discount for lack of marketability.	P/E multiples Discount for lack of marketability.	The higher the multiples, the higher the fair value. The higher the discount, the lower the fair value.
Derivative component of Convertible Bond	Level 3	Binomial option pricing model	Expected volatility (23.32%) taking into account the actual historical share price of the Company over the same time period as the Convertible Bond's remaining time to maturity.	The higher the expected volatility, the higher the fair value.
Derivative assets/ liabilities	Level 3	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.	The volatility of the underlying equity instrument for option	The higher volatility of the underlying equity instrument, the greater impact on the fair value.

There were no transfer between Level 1 and Level 2 during the year.

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2023

	Level 1 *Rmb'000*	Level 2 *Rmb'000*	Level 3 *Rmb'000*	Total *Rmb'000*
Financial assets at FVTPL				
– Equity securities	3,689,142	120,800	65,617	3,875,559
– Funds	1,406,449	7,157,799	–	8,564,248
– Debt investments	6,344,926	19,115,369	4,500	25,464,795
– Asset management schemes	–	3,792,244	–	3,792,244
– Trust products	–	–	32,267	32,267
– Unlisted equity investments	–	–	189,527	189,527
Sub-total	11,440,517	30,186,212	291,911	41,918,640
Debt instruments at FVTOCI	514,806	7,649,092	–	8,163,898
Derivative assets	–	141,810	1,137,300	1,279,110

	Level 1 *Rmb'000*	Level 2 *Rmb'000*	Level 3 *Rmb'000*	Total *Rmb'000*
Financial liabilities at FVTPL				
– Securities	327,658	3,692	–	331,350
– Fund	–	33,114	–	33,114
– Structured entities	–	87,571	20,026	107,597
Sub-total	327,658	124,377	20,026	472,061
Derivative component of Convertible Bond 2021	–	–	27,646	27,646
Derivative liabilities	–	104,513	891,514	996,027

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2022

	Level 1 *Rmb'000*	Level 2 *Rmb'000*	Level 3 *Rmb'000*	Total *Rmb'000*
Financial assets at FVTPL				
– Equity securities	1,626,768	79,471	270,990	1,977,229
– Funds	1,183,099	5,808,720	–	6,991,819
– Debt investments	4,440,080	28,617,288	4,500	33,061,868
– Asset management schemes	–	1,732,338	–	1,732,338
– Trust products	–	–	154,799	154,799
– Unlisted equity investments	–	–	81,330	81,330
Sub-total	7,249,947	36,237,817	511,619	43,999,383
Debt instruments at FVTOCI	128,529	692,411	–	820,940
Derivative assets	–	375,529	625,227	1,000,756

	Level 1 *Rmb'000*	Level 2 *Rmb'000*	Level 3 *Rmb'000*	Total *Rmb'000*
Financial liabilities at FVTPL				
– Securities	904,187	11,220	–	915,407
– Fund	–	60,636	–	60,636
– Structured entities	–	81,587	12	81,599
Sub-total	904,187	153,443	12	1,057,642
Derivative component of Convertible Bond 2021	–	–	308,266	308,266
Derivative liabilities	–	212,997	341,360	554,357

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

The following tables represent the changes in Level 3 financial assets at FVTPL during the years ended December 31, 2023 and 2022, respectively. For the changes in Level 3 derivative component of Convertible Bond 2022 during the year ended December 31, 2023 and 2022, please refer to Note 43.

For the year ended December 31, 2023

Financial instruments in Level 3:

	Financial assets at FVTPL *Rmb'000*	Derivative financial assets *Rmb'000*	Financial liabilities at FVTPL *Rmb'000*	Derivative financial liabilities *Rmb'000*	Total *Rmb'000*
At beginning of the year	511,619	625,227	12	341,360	1,478,218
Additions (Note i)	144,560	460,160	20,000	453,377	1,078,097
Disposal	(386,486)	54,411	(12)	273,455	(58,632)
Transfer out (Note ii)	(4,617)	–	–	–	(4,617)
Changes in fair value changes	26,835	(2,498)	26	(176,678)	(152,315)
At end of the year	291,911	1,137,300	20,026	891,514	2,340,751
Total gains/(losses) for assets held at the end of the year					
– unrealised gains/(losses) recognised in profit or loss					245,066

Unrealised gains/(losses) recognised in profit or loss for FVTPL are disclosed in Note 9.

Notes:

(i) Financial assets at FVTPL included the equity securities traded on the NEEQ with decreased turnover rates with significant unobservable inputs applied in valuing these investments. The equity securities traded on the NEEQ with decreased turnover rates were transferred from Level 2 to Level 3 in the fair value hierarchy.

(ii) These included equity securities traded on stock exchanges with lock-up periods. They were transferred from Level 3 to Level 1 when the lock-up period lapsed and became unrestricted.

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For the year ended December 31, 2023

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

For the year ended December 31, 2022

Financial instruments in Level 3:

	Financial assets at FVTPL *Rmb'000*	Derivative financial assets *Rmb'000*	Financial liabilities at FVTPL *Rmb'000*	Derivative financial liabilities *Rmb'000*	Total *Rmb'000*
At beginning of the year	979,971	118,757	18	123,676	1,222,422
Additions	168,135	530,443	–	457,229	1,155,807
Disposal	(497,200)	(47,261)	–	(80,100)	(624,561)
Transfer out	(145,297)	–	–	–	(145,297)
Changes in fair value changes	6,010	23,288	(6)	(159,445)	(130,153)
At end of the year	511,619	625,227	12	341,360	1,478,218
Total gains/(losses) for assets held at the end of the year					
– unrealised gains/(losses) recognised in profit or loss					561,172

Unrealised gains/(losses) recognised in profit or loss for FVTPL are disclosed in Note 9.

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

	As at 12/31/2023		As at 12/31/2022	
	Carrying amount *Rmb'000*	Fair value *Rmb'000*	Carrying amount *Rmb'000*	Fair value *Rmb'000*
Debt component of Convertible Bond 2021	1,815,465	1,779,176	1,480,135	1,343,040
Debt component of Convertible Bond 2022	6,626,467	6,698,743	3,923,672	3,929,596

The fair value of the debt component of Convertible Bond 2022 and Convertible Bond 2021 as at December 31, 2023 and December 31, 2022 are under level 3 category and was determined by the Directors with reference to the valuation performed by a firm of independent professional valuers. The fair value of the debt component of Convertible Bond 2022 and Convertible Bond 2021 are determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the Convertible Bond 2022 and Convertible Bond 2021 and discount rate that reflected the credit risk of the Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable *Rmb'000*	Bank and other borrowings *Rmb'000*	Bonds payable *Rmb'000*	Convertible Bonds *Rmb'000*	Lease Liabilities *Rmb'000*	Short-term financing note payable *Rmb'000*	Total *Rmb'000*
At January 1, 2022 (originally stated)	–	16,743,917	27,649,091	1,714,662	465,915	7,940,702	54,514,287
Adjustment	–	5,369,180	–	–	–	–	5,369,180
At January 1, 2022 (restated)	–	22,113,097	27,649,091	1,714,662	465,915	7,940,702	59,883,467
Financing cash flows (restated)	(2,041,416)	1,692,848	(4,306,310)	3,851,944	(134,827)	(4,362,900)	(5,300,661)
Operating cash flows (restated)	–	(859,906)	(1,078,777)	–	(5,126)	(114,754)	(2,058,563)
Non-cash changes							
Disposal of a subsidiary	–	(1,465,354)	–	–	–	–	(1,465,354)
New lease entered	–	–	–	–	94,998	–	94,998
Fair value adjustment	–	–	–	(31,951)	–	–	(31,951)
Exchange realignment	3,397	–	276,230	37,073	–	–	316,700
Accrued dividend	2,038,019	–	–	–	–	–	2,038,019
Interest expenses (restated)	–	876,132	767,335	123,880	23,070	103,977	1,894,394
Interest expenses adjustment due to bond disposal	–	–	–	16,562	–	–	16,562
Conversion into shares	–	–	–	(97)	–	–	(97)
At December 31, 2022 (restated)	–	22,356,817	23,307,569	5,712,073	444,030	3,567,025	55,387,514

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Dividends payable *Rmb'000*	Bank and other borrowings *Rmb'000*	Bonds payable *Rmb'000*	Convertible Bonds *Rmb'000*	Lease Liabilities *Rmb'000*	Short-term financing note payable *Rmb'000*	Total *Rmb'000*
At January 1, 2023 (restated)	–	22,356,817	23,307,569	5,712,073	444,030	3,567,025	55,387,514
Financing cash flows	(1,977,242)	(4,535,590)	5,700,000	2,529,887	(145,537)	(1,417,760)	153,758
Operating cash flows	–	(800,299)	(836,385)	(11,163)	(7,683)	(107,079)	(1,762,609)
Non-cash changes							
New lease entered	–	–	–	–	165,368	–	165,368
Lease decreased	–	–	–	–	(3,465)	–	(3,465)
Fair value adjustment	–	–	–	(280,620)	–	–	(280,620)
Exchange realignment	14,135	–	55,396	79,600	–	–	149,131
Accrued dividend	2,131,680	–	–	–	–	–	2,131,680
Interest expenses	–	786,015	787,671	412,301	22,717	95,425	2,104,129
Conversion into shares	–	–	–	(146)	–	–	(146)
At December 31, 2023	168,573	17,806,943	29,014,251	8,441,932	475,430	2,137,611	58,044,740

55. OPERATING LEASES

The Group as lessor

The Group leased their service areas and communication ducts and part of spare office premises under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 25 years and rentals are fixed annually.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

55. OPERATING LEASES (Continued)

The Group as lessor (Continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	12/31/2023	12/31/2022
	Rmb'000	*Rmb'000*
Within one year	**61,778**	61,817
In the second to fifth year inclusive	**146,857**	149,833
After five years	**63,834**	30,765
	272,469	242,415

For certain of the Group's service areas, the rental income is variable and being calculated at the higher of a pre-agreed percentage of revenue of the relevant service areas made by the lessees or the minimum lease payments. The commitment above represented the minimum lease payments from lessees only and do not include any contingent rent elements.

56. CONTINGENT LIABILITIES

	12/31/2023	12/31/2022
	Rmb'000	*Rmb'000*
Guarantees given to bank, in respect of a joint venture	**259,484**	321,899

56. CONTINGENT LIABILITIES (Continued)

The Group provided a financial guarantee to Shengxin Co, a 50% owned joint venture of the Group, in favour of a bank for 50% of its outstanding long-term bank borrowings and interest, and accrued off-balance sheet provision in light of the financial guarantee. As at December 31, 2023, the bank borrowings of Shengxin Co and accrued interest amounted to Rmb518,967,000 (2022: Rmb643,798,000). The Directors consider that the fair value of the guarantee is insignificant at initial recognition and default by the guaranteed party is not probable, therefore the provision under ECL model for financial guarantee contract is not material as at December 31, 2023 and 2022.

57. RELATED PARTY TRANSACTIONS AND BALANCES

Other than disclosed elsewhere in the consolidated financial statements, during the year, the Group also entered into the following significant transactions with related parties:

(i) Transactions and balances with Communications Group and government related parties

Details of significant transactions with Communications Group are summarised below:

Borrowings

Pursuant to the loan contract entered into between Shangsan Co and Communications Group on June 13, 2022, Communications Group agreed to provide Shangsan Co borrowings amounting to Rmb2,735,000,000 at a fixed interest rate of 4.5% per annum, with maturity date of December 13, 2023. Principal amount of Rmb1,100,000,000 was repaid on December 17, 2022. Principal amount of Rmb 600,000,000 was repaid on January 17, 2023. Principal amount of Rmb 535,000,000 was repaid on April 19, 2023, Principal amount of Rmb 500,000,000 was repaid on July 12, 2023.

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For the year ended December 31, 2023

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Borrowings (Continued)

Pursuant to the entrusted loan contracts entered into between the Company and Zhejiang Highway Logistic Company Limited ("Logistic Co"), a wholly-owned subsidiary of the Communications Group, on July 21, 2023. Logistic Co agreed to provide the Company with entrusted loans amounting to Rmb50,810,229 at a fixed interest rate of 3.00% per annum, with maturity date of July 20, 2024.

Pursuant to the entrusted loan contracts entered into between HuangQuNan Co and Communications Group on March 7, 2023, Communications Group agreed to provide the Company with entrusted loans amounting to Rmb2,330,000,000 with a maturity date of March 7, 2024 and at a fixed interest rate of 3.65% per annum as at December 31, 2023.

	For the year ended 12/31/2023 ***Rmb'000***	For the year ended 12/31/2022 *Rmb'000* (Restated)
Interest expenses incurred	**116,470**	79,059

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Management and Administrative services

The Company has entered into agreements with the Communications Group and its subsidiaries, pursuant to which, the Company would provide the management and administrative services for nine toll roads, including Shensuzhewan Expressway, South Line of Qianjiang Channel, Ningbo Yongtaiwen Expressway, Hangning Expressway, Hangrao Expressway, Jiaxing 320 National Highway, North Line of Qianjiang Channel, Linjian Expressway, Zhoudai Bridge and Fuchimen Bridge of Ningbo Zhoushan Port Main Passage and North Connection of Qianjiang Channel. According to the agreements, the Company would charge the Communications Group and its subsidiaries management fee on actual cost basis. During this year, a total management fee of Rmb21,153,488 (2022: Rmb13,777,059) has been charged.

Other transactions

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Toll road service area leasing income earned (Note a)	10,401	12,770
Toll road service area management fee paid (Note a)	10,552	7,734
Property leasing income earned	4,993	4,816
Road maintenance service expenses incurred	578,389	630,757
Construction cost incurred (Note b)	411,978	537,829
System development and maintenance, expressway mechanical and electrical engineering services expenses incurred	44,406	120,916
Toll road related inspection services expense incurred	12,474	10,664
Underwriting and sponsor service income earned	1,379	–

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For the year ended December 31, 2023

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Other transactions (Continued)

Notes:

(a) Pursuant to the leasing and operation agreement entered into between Jinhua Co (as defined in Note 58), Hanghui Co (as defined in Note 58), Longlililong Co (as defined in Note 58), Zhoushan Co (as defined in Note 58), HuangQuNan Co (as defined in Note 58) and Zhejiang Commercial Group Co., Ltd. ("Zhejiang Commercial Group", a fellow subsidiary of Communications Group), the toll road service areas were leased to Zhejiang Commercial Group Co.,Ltd, and Zhejiang Communications Group managed the operation of the service area in respect of the toll road service area. Such businesses began from January 1, 2011, and will be expired at the same time with the operating rights.

(b) On April 18, 2023, Jiaxing Branch of LongLiLiLong Expressway Co. and Shengzhou Branch of Shangsan Expressway Co. entered into the Construction Agreement with Jiaogong Underground Construction, pursuant to which the expansion project of Jiaxing Service Area of Shanghai-Hangzhou Expressway and Shengzhou Service Area of Shangsan Expressway was undertaken respectively. Each of Group and Jiaogong Underground Construction is an indirectly non-wholly owned subsidiary of Communications Group.

On November 29, 2023, the Company and its subsidiaries entered into the Guardrail Agreements with Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. ("Zhejiang Shunchang"), Zhejiang Expressway Maintenance Co., Ltd. ("Maintenance Co") and Zhejiang Jiaogong High-grade Expressway Maintenance Co., Ltd. ("Jiaogong Maintenance") respectively, pursuant to which the guardrail revamp and upgrade projects was undertaken in respect of six expressways operated by the Group. Each of Zhejiang Shunchang, Maintenance Co and Jiaogong Maintenance is an indirect subsidiary of Communications Group.

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Other transaction balances

In addition to the transaction balances already disclosed in the report, the other material transaction balances in relation to the transactions disclosed above with related parties are listed below.

	12/31/2023 ***Rmb'000***	12/31/2022 *Rmb'000* (Restated)
Other receivables	**220,498**	206,832
Trade payables	**407,040**	407,523
Other payables	**161,312**	170,704

Sales of asset management schemes and derivative contract business with Communications Group

During the year, Zheshang Securities Asset Management Co., Ltd. ("Asset Management", an indirect subsidiary of the Company) earned the management fee income of Rmb94,934 (2022: Rmb234,549) from Zhejiang Zheshang Financial Holdings, Co., Ltd.

Other transactions with government related parties

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under the Communications Group which is controlled by the PRC government. However, due to the business nature, in respect of the Group's toll road and securities business, the Directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other government-related entities in the PRC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Other transactions with government related parties (Continued)

In addition, the Group has entered into other banking transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institution which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

(ii) Transactions and balances with associates and other related parties

Financial service provided by Zhejiang Communications Finance

The Group entered into a financial services agreement with Zhejiang Communications Finance. Pursuant to the agreement, Zhejiang Communications Finance agreed to provide the Group with the deposit services, the loan and financial leasing services, the clearing services and other financial services.

Loan advanced from Zhejiang Communications Finance

During the year, Shangsan Co has repaid short-term loans with an aggregated principal amount of Rmb200,000,000 to Zhejiang Communications Finance.

During the year, Zhoushan Co has repaid short-term loans with an aggregated principal amount of Rmb130,000,000 to Zhejiang Communications Finance.

During the year, LongLiLiLong Co has repaid short-term and long-term loans with an aggregated principal amount of Rmb970,232,000 to Zhejiang Communications Finance.

During the year, Zhejiang Communications Finance provided LongLiLiLong Co with short-term loans with an aggregated principal amount of Rmb49,000,000 (2022: Rmb154,000,000) and fixed rate of 3.7% per annum (2022: 4.13%).

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Financial service provided by Zhejiang Communications Finance (Continued)

Loan advanced from Zhejiang Communications Finance (Continued)

During the year, Zhejiang Communications Finance provided LongLiLiLong Co with long-term loans with an aggregated principal amount of Rmb441,000,000 (2022: Rmb546,000,000) and fixed rate of 3.7% per annum (2022: 4.13%).

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
Outstanding loan payable balances:		
repayable within one year	179,288	789,026
1 to 5 years	870,318	958,848
over 5 years	399,616	512,710
	1,449,222	2,260,584

	Year ended 12/31/2023 Rmb'000	Year ended 12/31/2022 Rmb'000
Interest expenses incurred	78,076	99,755

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Financial service provided by Zhejiang Communications Finance (Continued)

Deposits to Zhejiang Communications Finance

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000* (Restated)
Bank balances and cash		
– Cash and cash equivalents	2,936,333	3,013,781

	Year ended 12/31/2023 *Rmb'000*	Year ended 12/31/2022 *Rmb'000* (Restated)
Interest income earned	51,422	35,580

Sales of asset management schemes with Zhejiang Communications Finance

During the year, Asset Management sold 180,618,622 units (2022: 259,864,605 units) equivalent to Rmb200,000,000 (2022: Rmb259,999,000) of the asset management schemes to Zhejiang Communications Finance. Management fee income of Rmb8,673,317 (2022: Rmb4,352,774) was earned.

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Purchase/Sales of inventory from/to and derivatives contract business with Zheshang Development Group Co., Ltd. and its subsidiaries (collectively referred to as "Zheshang Development Group")

During the year, Zhejiang Zheqi purchased and sold commodities of Rmb223,481,124 (2022: Rmb447,327,097) and Rmb402,380,891 (2022: Rmb329,366,545) respectively from and to Zheshang Development Group, to operate commodity trading business.

As at December 31, 2023, Zhejiang Zheqi received deposits of Rmb5,998,290 (2022: Rmb30,206,224) from Zheshang Development Group for derivatives business. Zheshang Futures had the balance of Rmb210,274,925 (2022: Rmb230,984,810) with the Zheshang Development Group in the accounts payable to customers arising from securities business.

During the year, Zhejiang Zheqi carried out derivatives contract business with Zheshang Development Group, and the investment losses was Rmb49,241,604 (2022: gains Rmb254,425,726) in total.

Zhajiasu Co provides China Merchants Expressway Network & Technology Holdings Co. Ltd. ("China Merchants Expressway", another shareholder of Zhajiasu Co) with entrusted loan

According to the entrusted loan contract signed between Zhajiasu Co and China Merchants Expressway on July 30, 2021, Zhajiasu Co provides an entrusted loan of Rmb180,000,000 at a fixed rate of 2.75% per annum. Interest income during the Period was Rmb 4,734,670.

(iii) Key management emoluments

The remuneration of the Directors, supervisors and key management personnel during the year was Rmb10,261,000 (2022: Rmb9,718,000) including retirement benefit scheme contribution of Rmb328,000 (2022: Rmb334,000) which is determined by the performance of the individuals and the market trends.

Notes to the Consolidated Financial Statements

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58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

58.1 General information of subsidiaries

Name of subsidiary	Date and place of registration	Registered and paid-in capital/share capital Rmb	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			12/31/2023 %	12/31/2022 % (Restated)	12/31/2023 %	12/31/2022 % (Restated)	
Zhejiang Linping Expressway Co., Ltd. ("Linping Co")	Note 1	75,223,000	51	51	–	–	Management of the Linping Section of the Shanghai-Hangzhou Expressway
Shangsan Co	Note 2	5,380,000,000	73.625	73.625	–	–	Management of the Shangsan Expressway
Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd ("Towing Co")	Note 3	8,000,000	100	100	–	–	Provision of vehicle towing, repair and . emergency rescue services
Zheshang Securities	Note 4	3,878,194,246	–	–	*40.3384	*40.3385	Operation of securities business
Zheshang Futures	Note 5	1,371,244,600	–	–	**39.7871	**39.7872	Operation of securities business
Zheshang Capital Management	Note 6	500,000,000	–	–	**40.3384	**40.3385	Operation of securities business
Asset Management	Note 7	1,200,000,000	–	–	**40.3384	**40.3385	Provision of asset management service
Ningbo Dongfang Jujin Investment Management Co., Ltd ("Dongfang Jujin")	Note 8	1,000,000	–	–	–	**40.3385	Provision of investment management and advisory services
Zhejiang Zheqi	Note 9	2,200,000,000	–	–	**39.7871	**39.7872	Trading of future
Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co")	Note 10	1,350,000,000	100	100	–	–	Management of the Jinhua Section of the Ningbo- Jinhua Expressway

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Name of subsidiary	Date and place of registration	Registered and paid-in capital/share capital Rmb	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			12/31/2023 %	12/31/2022 % (Restated)	12/31/2023 %	12/31/2022 % (Restated)	
Hanghui Co	Note 11	3,101,853,000	–	–	51	51	Management of the Zhejiang Section of the Hangzhou-Ruili Expressway
Hangzhou Jujin Jiawei Investment Management (Limited Partnership) ("Jujin Jiawei")	Note 12	206,103,000	–	–	–	**18.1635	Provision of investment management and advisory and private equity investments
Zheshang International Financial Holding Co., Limited	Note 13	41,591,000	–	–	**39.7871	**39.7872	Trading of future
Huihang Co	Note 14	580,000,000	100	100	–	–	Management of the Anhui Section of the Hangzhou-Ruili Expressway
Deqing Co	Note 15	320,000,000	80.1	80.1	–	–	Construction and management
Zhoushan Co	Note 16	4,114,690,000	51	51	–	–	Management of the Zhoushan Bay Bridge
Zhejiang Grand Hotel	Note 17	306,662,167	100	100	–	–	Operation of hotel
Zheshang Securities Investment Co., Ltd. ***	Note 18	261,000,000	–	–	**40.3384	**40.3385	Provision of investment management and advisory and private equity investments
LongLiLiLong Co	Note 19	8,519,856,565	100	100	–	–	Management of the LongLi Expressway and LiLong Expressway

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58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Name of subsidiary	Date and place of registration	Registered and paid-in capital/share capital Rmb	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			12/31/2023 %	12/31/2022 % (Restated)	12/31/2023 %	12/31/2022 % (Restated)	
Zhajiasu Co	Note 20	300,000,000	55	55	–	–	Management of the Zhajiasu Expressway
Zheshang International Asset Management Ltd. ("Zheshang International Asset Management")	Note 21	HKD10,000,000	–	–	**39.7871	**39.7872	Provision of asset management service
Zhejiang Zhijiang Intelligent Transportation Technology Co., Ltd.	Note 22	100,000,000	98	–	–	–	Provision of technology service
HuangQuNan Co	Note 23	100,000,000	–	–	100	100	Management of the HuangQuNan Expressway

* The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it. On June 26, 2017, Zheshang Securities has completed the Spin-off and Offering on the Shanghai Stock Exchange, resulting in the dilution of the equity interest attributed to the Company. On March 12, 2019, Zheshang Securities issued a convertible bond and the conversion of shares during the year ended December 31, 2020 resulted in the dilution of the equity interest attributed to the Company. On May 21, 2021, Zheshang Securities issued non-public A shares which resulted in the dilution of the equity interest attributed to the Company. On June 14, 2022, Zheshang Securities has issued convertible bonds, the conversion of shares resulting in the dilution of the equity interest attributed to the Company during the years ended December, 2022 and 2023. The company repurchased its ordinary share amounted to 38,781,600 during the years ended December 2023 for future incentive scheme, accordingly the voting right of the Company increase from 40.3384% to 40.7459%.

** These companies and partnership entities are subsidiaries of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

*** The English translated name is for identification only.

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Note 1: Linping Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996. The Company is able to control over Linping Co because it has the power to appoint five out of nine directors of that company and under the provisions stated in the Articles of Association of that company, the passing of ordinary resolutions at the board meetings required one-half of the Directors attending the meetings. Zhejiang Yuhang Expressway Co., Ltd. has been renamed to Zhejiang Linping Expressway Co., Ltd. in 2021.

Note 2: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company. On November 29, 2022, the Group, Shangsan Co, the Existing Shareholders and Communications Group entered into a Capital Increase Agreement to increase the registered capital of Shangsan Co, and as per the revised Articles of Association on the same date, the voting right of the Group in Shangsan Co slightly decreased from 73.625% to 73.624%. As at reporting date, no capital injected from any shareholder.

Note 3: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 4: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company. On March 12, 2019, Zheshang Securities issued a convertible bond and the Group 'equity interest was diluted resulting from the conversion of shares by outside shareholders. On May 21, 2021, Zheshang Securities issued non-public A shares which resulted in the dilution of the equity interest attributed to the Company. On June 14, 2022, Zheshang Securities issued a convertible bond and the Group's equity interest of Zheshang Securities was diluted resulting from the conversion of shares by outside shareholders. See Note 43 for more details.

Note 5: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability company. During the year ended December 31, 2022, the Group's percentage of entity interest in Zhejiang Futures slightly decreased from 40.3387% to 39.7872% as the result of the capital increase of Zheshang Futures.

Note 6: Zheshang Capital Management was established on February 9, 2012 in the PRC as a limited liability company.

Note 7: Asset Management was established on July 22, 2013 in the PRC as a limited liability company.

Note 8: Dongfang Jujin was established on March 25, 2014 in the PRC as a limited liability company. The company was deregistered in 2023.

Note 9: Zhejiang Zheqi was established on April 9, 2013 in the PRC as a limited liability company, and its paid-in share capital was increased by Rmb100,000,000 to Rmb200,000,000 during the year ended December 31, 2014.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Note 10: Jinhua Co was established in February 2002 in the PRC as a limited liability company. Jinhua Co became a wholly owned subsidiary and directly held by the Company during the year ended December 31, 2013.

Note 11: Hanghui Co was established in December 2008 in the PRC as a limited liability company. During the year ended December 31, 2015, the Company acquired the 80.614% equity interests in Hanghui Co from Communications Group, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2015. In December 2015, the equity interest held by the Group increased to 88.674% as the Company has made a capital contribution to Hanghui Co. In June 2021, the Hanghui Expressway public REITs was successfully listed on the Shanghai Stock Exchange. The Company held 51% shareholder's interest indirectly after the restructure. During the restructure in light of the issuance of REITs, the Group's equity share decreased from 88.674% to 51% and thus didn't lose control over Hanghui Co. The equity transaction as a result of the restructure was accounted for under special reserves.

Note 12: Jujin Jiawei was established on April 15, 2015 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other three individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Jujin Jiawei unilaterally, and it is therefore classified as a subsidiary of the Group. The company was deregistered in 2023.

Note 13: Zheshang International Financial Holding Co., Limited (previously known as Zheshang Futures (Hong Kong) Co., Limited) was established on April 23, 2015 in Hong Kong as a limited liability Company.

Note 14: Huihang Co was established in September 2000 in the PRC as a limited liability company. During the year ended December 31, 2016, the Company acquired the 100% equity interests in Huihang Co from an independent third party, and Huihang Co then became a subsidiary and directly held by the Company as at December 31, 2016.

Note 15: Deqing Co was established on April 12, 2018 in the PRC as a limited liability company. The registered capital of Deqing Co has been increased from Rmb100,000,000 to Rmb320,000,000 during the year ended December 31, 2020, of which Rmb17,421,750 was contributed by the Company, Rmb4,328,250 was contributed by Zhejiang Hongtu and the rest were converted from capital reserve.

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Note 16: Zhoushan Co was established on as a limited liability company. On July, 2018, Shenjiahuhang Expressway entered into an equity purchase agreement with Zhejiang Communications Investment Group Co., Ltd. to acquire 51% equity interest in Zhoushan Co. During the year, as part of the reorganisation for the purpose of the proposed issuance of Asset-Backed Securities ("ABS"), Shenjiahuhang Co transferred its 51% of equity interests in Zhoushan Co to the Company at the audited net asset value of Zhoushan Co as at June 30, 2022 pursuant to an equity transfer agreement dated 19 September 2022. Upon which Zhoushan Co became the immediate subsidiary of the company.

Note 17: Zhejiang Grand Hotel was established on January 6, 1998 in the PRC as a limited liability company and was acquired from Communications Group. On June 5, 2019, the Company entered into an equity transfer agreement with a wholly-owned subsidiary of Communications Group to acquire 100% equity interest in Zhejiang Grand Hotel at a cash consideration of Rmb1,010,144,600.

Note 18: Zheshang Securities Investment Co., Ltd. was established on November 26, 2019 in the PRC as a limited liability company, and its paid-in share capital was increased by Rmb36,000,000 to Rmb261,000,000 during the year ended December 31, 2023.

Note 19: LongLiLiLong Co is a limited liability company established in the PRC on April 8, 2005, and was acquired from Communications Group.

Note 20: Zhajiasu Co is a limited liability company established in the PRC on January 25, 2001, and was acquired on May 7, 2021 from two natural person shareholders.

Note 21: Zheshang International Asset Management is a limited liability company established in Hong Kong on November 15, 2021.

Note 22: Zhejiang Zhijiang Intelligent Transportation Technology Co., Ltd. is a limited liability company established in the PRC on April 27, 2023. As at December 31, 2023, 35% of the registered capital of Rmb100,000,000 has been paid.

Note 23: HuangQuNan Co is a limited liability company established in the PRC on December 29, 2022, formerly existed as a branch in Communications Group before the business was acquired by LongLiLiLong Co.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Except that Zheshang International Financial Holding Co., Limited and Zheshang International Asset Management Ltd. are operating in Hong Kong, all of the Company's other subsidiaries are operating in Mainland China. As at December 31, 2023, Zheshang Securities has subordinated bonds, corporate bonds, short-term financing bonds and beneficial certificates at the total principal amount of Rmb3,100,000,000, Rmb14,500,000,000, Rmb1,500,000,000 and Rmb3,627,700,000 (2022: Rmb6,400,000,000, Rmb14,499,894,000, Rmb2,500,000,000 and Rmb2,045,460,000), respectively.

58.2 Change in ownership interest in a subsidiary

During the year ended December, 2023, 15,213 shares of the Convertible Bond 2022 was converted, resulting in the slight dilution of the equity interest in Zheshang Securities attributed to the Company from 40.3385% to 40.3384%, and the Group's percentage of entity interest in its subsidiaries decreased accordingly.

59. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Regarding securities operation segment as defined in Note 8, the Group held interests in structured entities including collective asset management schemes, investment funds and limited partnership. The Group acted as fund manager for some structured entities and had power over them during the years ended December 31, 2023 and 2022. Except for the structured entities the Group has consolidated as disclosed in Note 45, in the opinion of the Directors, the variable returns the Group exposed to over these collective asset management schemes, investment funds and limited partnership in which the Group has interests or acted as fund manager are not significant. The Group therefore did not consolidate these structured entities.

59. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

The total assets of unconsolidated funds, asset management schemes managed by securities operation segment amounted to Rmb106,058,993,000 and Rmb103,411,981,000 as at December 31, 2023 and 2022, respectively. The related management fee income for the year ended December 31, 2023 amounted to Rmb403,702,000 (December 31, 2022: Rmb420,826,000).

Regarding securities operation segment, the Group classified the investments in unconsolidated funds, asset management schemes and limited partnership as financial assets at FVTPL and interests in associates. As at December 31, 2023 and 2022, the carrying amounts of the Group's interests in unconsolidated funds, asset management schemes and limited partnership are Rmb12,637,492,000 and Rmb8,948,227,000, respectively. The related management fee income and net investment gains for the year ended December 31, 2023 are disclosed in Note 7 and Note 9.

Except for the abovementioned structured entities, the Group also invested in certain ABS Program classified as interests in associates which it doesn't act as the fund manager. With regard to the ABS Program, in case that the net cash flow generated from the underlying assets was not sufficient to cover the necessary expenditures of the ABS Program as agreed and senior class holder's share that they're entitled, the Group was committed to compensating the insufficient part. During the year ended December 31, 2023, the ABS Program's cashflow was sufficient to cover necessary expenditures and senior class holder's share.

Besides, the fund manager accepts open-ended withdrawal and subscription of senior class securities within the withdrawal registering period at the end of each three years from issuance of ABS, and the Group will purchase any senior class securities which have not completed open-ended withdrawal if the holders intend to within the withdrawal registering period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

60. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	12/31/2023 Rmb'000	12/31/2022 Rmb'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,075,491	975,338
Right-of-use assets	105,008	7,800
Expressway operating rights	1,112,067	1,455,240
Other intangible assets	28,401	29,393
Interests in subsidiaries	10,766,236	10,691,936
Interests in associates	8,475,700	7,739,747
Interests in joint ventures	1,373,970	373,470
Other receivables and prepayments	12,350	–
Time deposits	3,048,619	–
	25,997,842	21,272,924
CURRENT ASSETS		
Trade receivables	259,960	109,532
Other receivables and prepayments	134,272	119,839
Amount due from subsidiaries	1,280,194	1,300,068
Dividends receivable	2,366,109	2,366,109
Bank balances and cash		
– Time deposits with original maturity over three months	3,051,214	–
– Cash and cash equivalents	10,054,616	9,407,345
	17,146,365	13,302,893

60. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2023 *Rmb'000*	12/31/2022 *Rmb'000*
CURRENT LIABILITIES		
Trade payables	**211,735**	232,254
Tax liabilities	**157,157**	57,083
Other taxes payable	**26,427**	22,057
Other payables and accruals	**268,755**	265,765
Amount due to subsidiaries	**7,829,311**	5,628,161
Bonds payable	**69,546**	67,278
Bank and other borrowings	**271,689**	253,679
Convertible Bond	**1,815,465**	–
	10,650,085	6,526,277
NET CURRENT LIABILITIES	**6,496,280**	6,776,616
TOTAL ASSETS LESS CURRENT LIABILITIES	**32,494,122**	28,049,540
NON-CURRENT LIABILITIES		
Bonds payable	**6,325,061**	6,268,315
Convertible Bond	**–**	1,788,401
Bank and other borrowings	**–**	616,360
Deferred tax liabilities	**90,203**	106,412
	6,415,264	8,779,488
	26,078,858	19,270,052
CAPITAL AND RESERVES		
Share capital	**5,993,498**	4,343,115
Reserves	**20,085,360**	14,926,937
	26,078,858	19,270,052

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

60. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement of share capital and reserve of the Company was set out below.

	Share capital *Rmb'000*	Share premium *Rmb'000*	Statutory reserves *Rmb'000*	Investment revaluation reserve *Rmb'000*	Dividend reserve *Rmb'000*	Special reserves *Rmb'000*	Retained profits *Rmb'000*	Total *Rmb'000*
At January 1, 2022	4,343,115	3,645,726	2,364,430	19,447	1,628,668	71,382	6,119,290	18,192,058
Profit for the year	–	–	–	–	–	–	2,707,398	2,707,398
Other comprehensive income for the year	–	–	–	(736)	–	–	–	(736)
Total comprehensive income for the year	–	–	–	(736)	–	–	2,707,398	2,706,662
2021 dividend	–	–	–	–	(1,628,668)	–	–	(1,628,668)
Proposed dividend	–	–	–	–	1,628,668	–	(1,628,668)	–
At December 31, 2022	4,343,115	3,645,726	2,364,430	18,711	1,628,668	71,382	7,198,020	19,270,052
Profit for the year	–	–	–	–	–	–	2,338,600	2,338,600
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	2,338,600	2,338,600
Issuance of shares	1,650,383	4,448,491	–	–	–	–	–	6,098,874
2022 dividend	–	–	–	–	(1,628,668)	–	–	(1,628,668)
Proposed dividend	–	–	–	–	1,917,919	–	(1,917,919)	–
Transfer to reserves	–	–	299,412	–	–	–	(299,412)	–
At December 31, 2023	5,993,498	8,094,217	2,663,842	18,711	1,917,919	71,382	7,319,289	26,078,858

Corporate Information

CHAIRMAN

YUAN Yingjie (Appointed on August 23, 2023)
YU Zhihong (Resigned on August 23, 2023)

EXECUTIVE DIRECTORS

WU Wei (Appointed on September 27, 2023)
LI Wei (Appointed on October 13, 2023)
YUAN Yingjie (Redesignated as a non-executive Director on September 7, 2023)
CHEN Ninghui (Resigned on September 27, 2023)

NON-EXECUTIVE DIRECTORS

YANG Xudong
FAN Ye
HUANG Jianzhang

INDEPENDENT NON-EXECUTIVE DIRECTORS

PEI Ker-Wei
LEE Wai Tsang, Rosa
CHEN Bin

SUPERVISORS

LU Wenwei (Appointed on September 27, 2023)
LI Yuan (Appointed on June 9, 2023; resigned on September 27, 2023)
ZHENG Ruchun (Resigned on June 9, 2023)
HE Meiyun
WU Qingwang
LU Xinghai
WANG Yubing

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

YUAN Yingjie
WU Wei (Appointed on October 31, 2023)
YU Zhihong (Resigned on September 7, 2023)

STATUTORY ADDRESS AND PRINCIPAL PLACE OF BUSINESS

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INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group Holdings Limited
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99 Queen's Road Central, Hong Kong
Tel: 852-3977 1892
Fax: 852-2815 1352

PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Jiefang Road Branch
Shanghai Pudong Development Bank, Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712–1716, 17/F, Hopewell Centre
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Hong Kong

H SHARES LISTING INFORMATION

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Location Map of Expressways in Zhejiang Province

ZHEJIANG EXPRESSWAY CO., LTD.