



深圳高速公路集团股份有限公司
SHENZHEN EXPRESSWAY CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600548 (SSE) 00548 (HKEx))



2023
Interim Report

Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain “forward-looking statements”, including, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company which are anticipated or expected to happen. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Readers of this report should consider the aforesaid and other factors carefully, and should not place undue reliance on such “forward-looking statements”. In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of such statements.

The Board, the Supervisory Committee and the Directors, the Supervisors, the Senior Management of the Company confirm the truthfulness, accuracy and completeness of the content of this interim report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.

Member of Shenzhen International Holdings Limited



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Definition and Cautionary Statement

1. Definitions

In this report, the following expressions shall have the meanings set out below unless the context otherwise requires:

Reporting Period, 2023 Interim, Period	For the six months ended 30 June 2023.
Reporting date	The date on which this Interim Report 2023 of the Company is approved by the Board, being 25 August 2023.
YOY	Year-on-year change rate as compared to the same period of 2022.
The Company, Shenzhen Expressway	Shenzhen Expressway Corporation Limited.
The Group	The Company and its consolidated subsidiaries.
RMB/yuan	Renminbi yuan, the lawful currency of PRC.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEX	The Stock Exchange of Hong Kong Limited.
Hong Kong	Hong Kong Special Administrative Region of the PRC.
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).

CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
State Council	State Council of the People's Republic of China (中華人民共和國國務院).
NDRC	National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會).
MOT	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部).
National Energy Administration	National Energy Administration of the People's Republic of China (中華人民共和國國家能源局).
Ministry of Finance	Ministry of Finance of the People's Republic of China (中華人民共和國財政部).
Ministry of Industry and Information Technology	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部).
Ministry of Ecology and Environment	Ministry of Ecology and Environment of the People's Republic of China (中華人民共和國生態環境部).
Ministry of Housing and Urban-Rural Development	Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部).
Guangdong PDRC	Guangdong Provincial Development and Reform Commission (廣東省發展和改革委員會).
Shenzhen SASAC	State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會).
Shenzhen Transport Bureau	Transport Bureau of Shenzhen Municipality (深圳市交通運輸局), formerly known as Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會).
SIHC	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司).
Shenzhen International	Shenzhen International Holdings Limited (深圳國際控股有限公司).

Definition and Cautionary Statement

XTC Company	Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司), formerly known as Shenzhen Freeway Development Company Limited (深圳市高速公路開發公司).
SGH Company	Shenzhen Shen Guang Hui Highway Development Company Limited (深圳市深廣惠公路開發有限公司), formerly known as Shenzhen Shen Guang Hui Highway Development Company (深圳市深廣惠公路開發總公司).
CMET	China Merchants Expressway Network & Technology Holdings Company Limited (招商局公路網絡科技控股股份有限公司), formerly known as China Merchants Hua Jian Highway Investment Company Limited (招商局華建公路投資有限公司).
GDRB Company	Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司).
Shenzhen International (Shenzhen)	Shenzhen International Holdings (SZ) Limited (深國際控股(深圳)有限公司), formerly known as Yiwang Industry Development (Shenzhen) Company Limited (怡萬實業發展(深圳)有限公司).
SZCDTI	Shenzhen SEZ Construction and Development of Transportation and Investment Company Limited (深圳市特區建發交通投資有限公司), a wholly-owned subsidiary of Shenzhen SEZ Construction Development Group Co., Ltd. (深圳市特區建設發展集團有限公司).
SIICH	Shenzhen Investment International Capital Holdings Company Limited (深圳投控國際資本控股有限公司), a wholly-owned subsidiary of SIHC.
SIICHIC	Shenzhen Investment International Capital Holdings Infrastructure Company Limited (深圳投控國際資本控股基建有限公司).
SZI (HK)	Shenzhen International Limited (深國際有限公司).
SZI Logistics	Shenzhen International Logistics Development Company Limited (深圳市深國際物流發展有限公司).
Logistics Financial Company	China Logistics Financial Services Limited (中國物流金融服務有限公司).
Vanke Group	China Vanke Company Limited (萬科企業股份有限公司) and its consolidated subsidiaries.

Guangming Environment	Shenzhen Guangming Environment Technology Company Limited (深圳光明深 高速環境科技有限公司).
Guishen Company	Guizhou Guishen Investment Development Company Limited (貴州貴深投資發 展有限公司).
Bank of Guizhou	Bank of Guizhou Company Limited (貴州銀行股份有限公司).
Huayu Company	Shenzhen Huayu Expressway Investment Company Limited (深圳市華昱高速公 路投資有限公司).
Environmental Company	Shenzhen Expressway Environmental Company Limited (深圳高速環境有限公司).
Infrastructure and Environmental Protection Company	Shenzhen Expressway Infrastructure and Environmental Protection Development Company Limited (深圳深高速基建環保開發有限公司).
Fund Company	Shenzhen Expressway Private Equity Industrial Investment Fund Management Company Limited (深圳高速私募產業投資基金管理有限公司).
Construction Company	Shenzhen Expressway Construction Development Company Limited (深圳高速 建設發展有限公司).
Architecture Technology Company	Shenzhen Expressway Architecture Technology Development Company Limited (深圳高速建築科技發展有限公司).
Asphalt Technology Company	Shenzhen Expressway Asphalt Technology Development Company Limited (深 圳高速瀝青科技發展有限公司).
Longda Company	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司).
Magerk Company	Hubei Magerk Expressway Management Company Limited (湖北馬鄂高速公路 經營有限公司).
Meiguan Company	Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司).
Nanjing Third Bridge Company	Nanjing Yangtze River Third Bridge Company Limited (南京長江第三大橋有限責 任公司).

Definition and Cautionary Statement

Qinglian Company	Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司).
Qinglong Company	Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司).
Financial Leasing Company	Shenzhen Expressway Financial Leasing Company Limited (深圳市深高速融資租賃有限公司), formerly known as Shenzhen International Financial Leasing Company Limited (深圳市深國際融資租賃有限公司).
Business Company	Shenzhen Expressway Business Company Limited (深圳深高速商務有限公司).
Shenchang Company	Changsha Shenchang High Speed Trunk Road Company Limited (長沙市深長快速幹道有限公司).
Digital Technology Company	Shenzhen Expressway Digital Technology Company Limited (深圳高速公路集團數字科技有限公司).
Shenshan Qiantai	Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Company Limited (深圳深汕特別合作區乾泰技術有限公司).
Investment Company	Shenzhen Expressway Investment Company Limited (深圳高速投資有限公司).
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited (深圳市外環高速公路投資有限公司).
Property Management Company	Shenzhen Expressway Property Management Company Limited (深圳高速物業管理有限公司).
GZ W2 Company	Guangzhou Western Second Ring Expressway Company Limited (廣州西二環高速公路有限公司).
Coastal Company	Shenzhen Guangshen Coastal Expressway Investment Company Limited (深圳市廣深沿江高速公路投資有限公司).
Yangmao Company	Guangdong Yangmao Expressway Company Limited (廣東陽茂高速公路有限公司).
Yichang Company	Hunan Yichang Expressway Development Company Limited (湖南益常高速公路開發有限公司).

Yunji Intelligent (Former Consulting Company)	Yunji Intelligent Engineering Holding Company Limited (雲基智慧工程股份有限公司), formerly known as Shenzhen Expressway Engineering Consulting Company Limited (深圳高速工程顧問有限公司).
Operation Development Company	Shenzhen Expressway Operation Development Company Limited (深圳高速運營發展有限公司).
Engineering Development Company	Shenzhen Expressway Engineering Development Company Limited (深圳高速工程發展有限公司), formerly known as Guangdong Boyuan Construction Engineering Company Limited (廣東博元建設工程有限公司).
JEL	Jade Emperor Limited (捷德安派有限公司).
Fameluxe Investment	Fameluxe Investment Limited (豐立投資有限公司).
Maxprofit	Maxprofit Gain Limited.
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited (美華實業(香港)有限公司).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The Toll-Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains toll collection.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City).

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Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (referred to as Outer Ring Expressway), among which, the section with the length of 35.58km from Shajing to Guanlan and the section with the length of 15.07km from Longcheng to Pingdi, totalling approximately 51km (referred to as Outer Ring Phase I) has opened to traffic on 29 December 2020. The section with the length of 9.35km from the end of Longgang Section of Outer Ring Phase I to Kengzi via Pingdi etc. (referred to as Outer Ring Phase II) has opened to traffic on 1 January 2022. The section with the length of 16.8km from Kengzi to Dapeng (referred to as Outer Ring Phase III) is currently carrying out preliminary work.
Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (referred to as Coastal Expressway (Shenzhen Section)) of the coastal expressway from Guangzhou to Shenzhen (referred to as Coastal Expressway). Among which, the project of the main line of Coastal Expressway (Shenzhen Section) and related facilities are referred to as Coastal Phase I , and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and related facilities are referred to as Coastal Phase II .
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. Starting from 0:00 on 7 February 2016, a total of 23.8km of the Shenzhen section of Longda Expressway (i.e. the section from Longhua Shenzhen to Nanguang expressway ramp access) has been operated by toll-free with card access method, and had been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019. The Toll Section of Longda Expressway refers to the section of about 4.426km starting from north of Songgang to Guanfo expressway, which still retains toll collection.
Qinglian Expressway	The expressway from Qingyuan to Lianzhou.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Changsha Ring Road	Changsha Ring Expressway (North-Western Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Yichang Project	The expressway from Yiyang to Changde in Hunan (referred to as Yichang Expressway) and Changde connection line.

Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (referred to as the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Jihe Expressway R&E Project	The reconstruction and expansion PPP project for the section from He'ao to Shenzhen International Airport of the Shenyang to Haikou Expressway.
Bay Area Development	Shenzhen Investment Holdings Bay Area Development Company Limited (深圳投控灣區發展有限公司), a red chip company listed on the HKEx, stock code: 00737.
Shenwan Infrastructure	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited (深灣基建(深圳)有限公司).
Xintang JV	Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司).
Guangshenzhu Company	Guangshenzhu Expressway Co., Ltd, which is mainly engaged in the investment, construction, operation and management of Guangzhou-Shenzhen Expressway. Bay Area Development is indirectly entitled a 45% profit-sharing interest in Guangshenzhu Company.
GS Expressway	The Guangzhou-Shenzhen section of Beijing-Hong Kong & Macao Expressway (G4), starting from Huangcun interchange in Tianhe District, Guangzhou in the north, ends at Huanggang Checkpoint in Futian District, Shenzhen in the south, with a total length of approximately 122.8km.
GZ West Expressway	Guangzhou-Zhuhai West Expressway, comprising Phase I, Phase II and Phase III, starts from Hainan interchange of Liwan District, Guangzhou in the north and to Yuehuan Interchange of Tanzhou Town, Zhongshan in the south, with a total length of approximately 98km.
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities due to implementation of the freight traffic organisation adjustment of Shenzhen which is undertaken by the Company.
Shenshan Environmental Park Project	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park which is undertaken by the Group.

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Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou under BT model and the primary development project of relevant land which is undertaken by the Group.
CCCC Second Highway	CCCC Second Highway Engineering Company Limited (中交第二公路工程局有限公司).
Longli River Bridge Project (Former Duohua Bridge Project)	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company under BT model. The major part of the project is Longli River Bridge.
Guilong Holdings	Guizhou Guilong Holdings (Group) Company Limited (貴州貴龍實業(集團)有限公司).
Resettlement Project	The entrusted construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising Resettlement Phase I and Resettlement Phase II .
Bimeng Project	The Bimeng Garden community resettlement project in Longli, Guizhou is undertaken by the Group with BT model.
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited (貴州深高速置地有限公司).
Guizhou Hengtongli	Guizhou Hengtongli Property Company Limited (貴州恒通利置業有限公司).
Land of Longli Project	The peripheral land of Guilong Project and the Longli River Bridge Project which were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,038 mu, including 2,770 mu for Guilong Project and 269 mu for the Longli River Bridge Project.
Guilong Development Project	The proprietary secondary development project of the land with an area of over 1,000 mu in Guilong Project, which is conducted by the Group with approval from the Board.
Meilin Checkpoint Renewal Project	The Urban Renewal Project of Meilin Checkpoint of Minzhi Office in Longhua District, the entity which carried out the project is United Land Company and the area of the land is approximately 96,000 square meters.

Shenzhen Water Planning	Shenzhen Water Planning & Design Institute Company Limited (深圳市水務規劃設計院股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 301038.
Derun Environment	Chongqing Derun Environment Company Limited (重慶德潤環境有限公司).
Chongqing Water	Chongqing Water Group Company Limited (重慶水務集團股份有限公司), a company listed on the SSE, stock code: 601158.
Sanfeng Environment	Chongqing San Feng Environmental Industrial Group Company Limited (重慶三峰環境集團股份有限公司), a company listed on the SSE, stock code: 601827.
Nanjing Wind Power	Nanjing Wind Power Technology Company Limited (南京風電科技有限公司).
Baotou Nanfeng	Baotou Nanfeng Wind Power Technology Company Limited (包頭市南風風電科技有限公司).
Damao Ningyuan	Damao Ningyuan Wind Power Company Limited (達茂旗寧源風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningxiang	Damao Ningxiang Wind Power Company Limited (達茂旗寧翔風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningfeng	Damao Ningfeng Wind Power Company Limited (達茂旗寧風風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Nanchuan	Damao Nanchuan Wind Power Company Limited (達茂旗南傳風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Lingxiang Company	Baotou Lingxiang New Energy Company Limited (包頭市陵翔新能源有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
New Energy Company	Shenzhen Expressway New Energy Holdings Company Limited (深圳高速新能源控股有限公司).
Shengneng Technology	Shenzhen Expressway Shengneng Technology Company Limited (深圳深高速晟能科技有限公司)
Weining Energy	State Power Investment Corporation Guizhou Jinyuan Weining Energy Company Limited (國家電投集團貴州金元威寧能源股份有限公司)

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Jinshen New Energy	Shenzhen Jinshen New Energy Company Limited (深圳金深新能源有限公司)
Ziyun Jinshen	Guizhou Ziyun Jinshen New Energy Company Limited (貴州紫雲金深新能源有限公司)
Yuansheng New Energy	Xingren Yuansheng New Energy Company Limited (興仁市元盛新能源有限公司)
Jinxin New Energy	Duyun Jinxin New Energy Company Limited (都勻市金鑫新能源有限公司)
Guangdong New Energy	Shenzhen Expressway (Guangdong) New Energy Investment Company Limited (深高速(廣東)新能源投資有限公司).
Huai'an Zhongheng	Huai'an Zhongheng New Energy Company Limited (淮安中恒新能源有限公司).
SPIC	State Power Investment Corporation Limited (國家電力投資集團有限公司).
SPIC Fujian Company	State Power Investment Corporation Fujian Electric Power Company Limited (國家電投集團福建電力有限公司).
Nanjing Avis	Nanjing Avis Transmission Technology Company Limited (南京安維士傳動技術股份公司).
Fenghe Energy	Shenzhen Fenghe Energy Investment Limited (深圳峰和能源投資有限公司).
Yongcheng Zhuneng	The 32MW wind power project in Yongcheng City, Shangqiu City, Henan Province.
Zhongwei Gantang	The 49.5MW wind power project in Gantang, Zhongwei City, Ningxia Province.
Xinjiang Mulei	The wind power project of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhundong New Energy Base, including Qianzhi, Qianhui and QianXin projects.
Qianzhi	Xinjiang Mulei County Qianzhi New Energy Development Company Limited (新疆木壘縣乾智能源開發有限公司).
Qianhui	Xinjiang Mulei County Qianhui New Energy Development Company Limited (新疆木壘縣乾慧能源開發有限公司).
Qianxin	Xinjiang Mulei County Qianxin New Energy Development Company Limited (新疆木壘縣乾新能源開發有限公司).

Guangming Environmental Park Project	The Shenzhen Guangming Environmental Park PPP Project, invested in and constructed by the Company under the BOT model.
Bioland	Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd (深高藍德環保科技集團股份有限公司).
Lisai Environmental	Shenzhen Lisai Environmental Technology Limited (深圳市利賽環保科技有限公司).
Shaoyang Project	The concession project of kitchen waste collection and disposal in Shaoyang, Hunan Province.
Ya'an Project	The concession project of harmless and resource recovery of kitchen waste treatment in Ya'an, Sichuan Province.
Unitoll Services	Guangdong Unitoll Services Incorporated (廣東聯合電子服務股份有限公司).
United Land	Shenzhen International United Land Company Limited (深圳市深國際聯合置地有限公司).
Gaoleyi	Shenzhen Expressway Gaoleyi Health and Elderly Care Services Limited (深圳高速高樂亦健康養老有限公司).
Fengrunjiu	Shenzhen Guangming Fengrunjiu Health Services Limited (深圳光明鳳潤玖健康服務有限公司)
One Apartment	Shenzhen Expressway One Apartment Management Company Limited (深圳市深高速壹家公寓管理有限公司).
PPP (model)	Public-Private-Partnership model, refers to a partnership on the basis of the concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. The PPP model ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. Premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build infrastructure, manage and operate the facility and its corresponding products and services.

Definition and Cautionary Statement

EPC (model)	Engineering Procurement Construction model means the company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.
BIM	Building Information Modelling, which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods.
ETC	Electronic Toll Collection, a system used to electronically collect tolls on highways.
Coastal Freight Compensation Scheme	Shenzhen Transport Bureau and the Company entered into the freight compensation agreement, wherein it is agreed that during the period from 1 January 2021 to 31 December 2024, the vehicles passing the Coastal Project should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in a one-off manner in March of the following year.
“71118” Expressway Network	According to the National Expressway Network Planning (2013–2023), the national expressway network adopts the layout plan combining radial and horizontal-vertical grid, forming a large road network radiating outward from the central cities and comprising 7 capital radial lines, 11 north-south vertical lines and 18 east-west horizontal lines, with a total scale of approximately 118,000 km.

Note :

1. For principal business of the investee companies of the Company, please refer to the Group Structure in “Introduction of the Company” of this report.
2. For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at <http://www.sz-expressway.com>.

II. Cautionary Statement on Risk

Detailed analysis and description on the future operation and development of the Group were set out in “Management Discussion and Analysis” of this Interim report. Investors’ inspection and attention are reminded.

Introduction of the Company

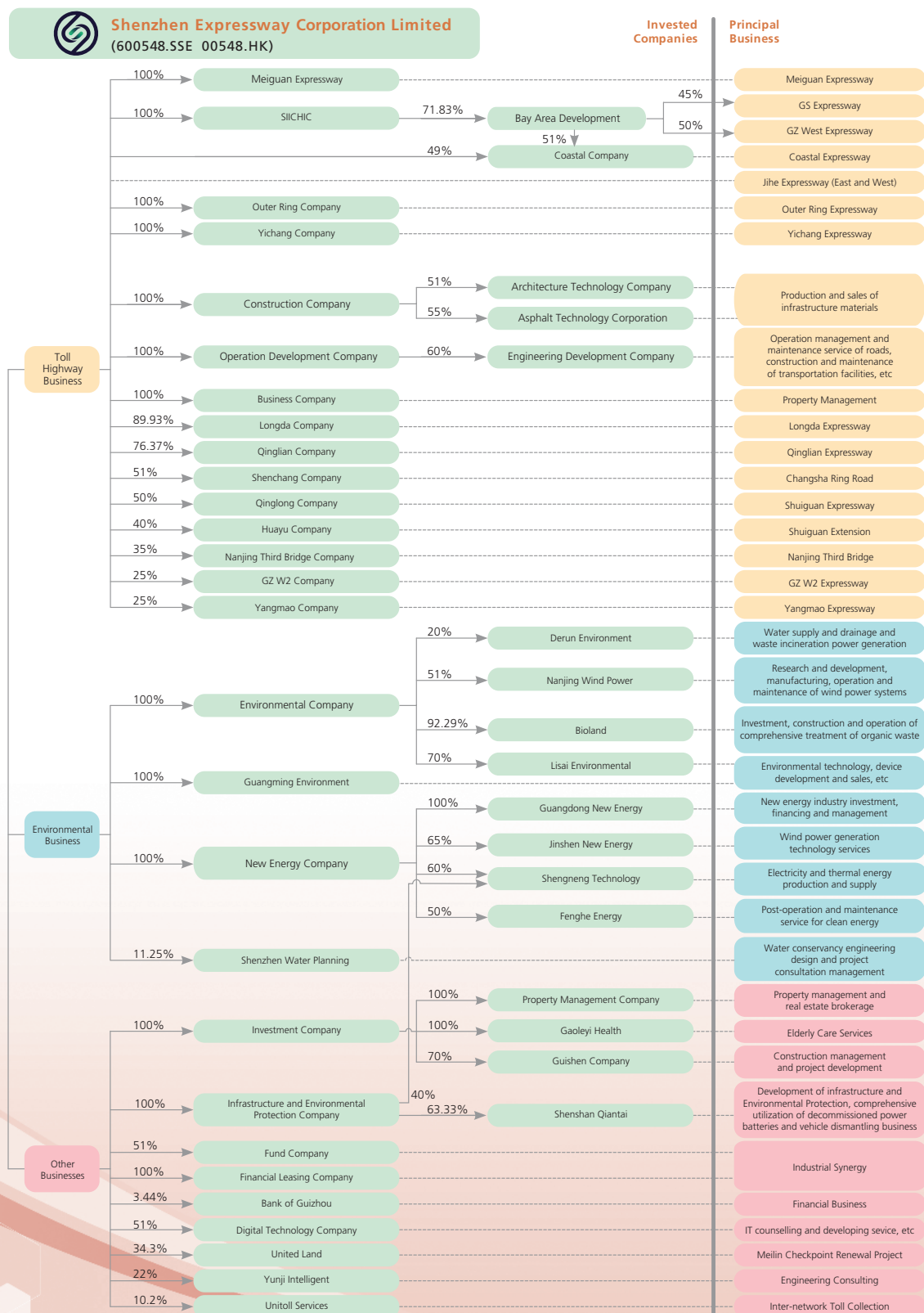
Incorporated in Shenzhen on 30 December 1996, the Company principally engages in the investment, construction, operation and management of toll highways and roads, as well as the general-environmental protection business. At present, the general-environmental protection business includes recovery and solid waste treatment and clean energy business. In addition, the Company provides construction management and highways comprehensive maintenance services for the government and other enterprises. Building on relevant management experience and resources and relying on its core business, the Company has launched in the related businesses such as project development and management, road maintenance, intelligent traffic system, construction management and industrial financial services.

As of the date of this Report, the Company operated and invested in a total of 16 toll highway projects. The total mileage of the high-grade highways invested in or operated by the Company (on holding equity basis) is approximately 643km. The Company has also actively participated in various regional urban infrastructure development projects while investing 19 projects in the field of environmental protection, clean energy and finance. The Company has set up platform companies for investment, construction, operation, environment, urban infrastructure and new energy, etc.

A total of 2,180,770,326 ordinary shares are issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and 34.28% of the total share capital of the Company, respectively. XTC Company, one of the promoters of the Company and currently a wholly-owned subsidiary of Shenzhen International (stock code: 00152) which is listed on HKEx, is currently holding approximately 30.03% of the Company's shares as the largest shareholder of the Company. Shenzhen International has become the indirect controlling shareholder of the Company, indirectly holding more than 50% of the Company's shares since December 2008.

Introduction of the Company

As at the Reporting Date, the Group's investee companies and equity structure are as follows:



Note: This structure chart only includes the first level and the second level subsidiaries and joint ventures of the Group, and the third level and below subsidiaries and joint ventures are not listed.

Financial and Operational Highlights

I. Principal Accounting Data and Financial Indicators in the Reporting Period

Item (Unit: RMB)	2023 Interim (Unaudited)	2022 Interim (Unaudited)		Change (%)
		After adjustment	Before adjustment	
Revenue	4,124,879,965.28	4,094,093,645.65	4,094,093,645.65	0.75
Net profit/Loss attributable to owners of the Company (loss shown with "-")	929,275,101.01	848,711,632.68	848,549,138.56	9.49
Net profit/Loss attributable to owners of the Company – excluding non-recurring items (loss shown with "-")	804,593,226.35	759,088,121.17	758,925,627.05	5.99
Net cash flows from operating activities	1,903,351,786.08	1,592,514,611.01	1,592,514,611.01	19.52

Item (Unit: RMB)	As at 30 Jun 2023 (Unaudited)	As at 31 Dec 2022 (Audited)		Change (%)
		After adjustment	Before adjustment	
Owners' equity attributable to owners of the Company	20,822,028,588.00	21,348,467,566.83	21,346,287,718.08	-2.47
Total assets	68,161,615,739.87	69,204,698,015.50	69,201,468,263.76	-1.51

Item	2023 Interim (Unaudited)	2022 Interim (Unaudited)		Change (%)
		After adjustment	Before adjustment	
Earnings/Loss per share – basic (RMB/share) (loss shown with "-")	0.384	0.347	0.347	10.66
Earnings/Loss per share – diluted (RMB/share) (loss shown with "-")	0.384	0.347	0.347	10.66
Earnings/Loss per share excluding non-recurring items – basic (RMB/share) (loss shown with "-")	0.327	0.306	0.306	6.86
Return on equity – weighted average (%)	4.85	3.89	3.89	Increase 0.96 pct.pt
Return on equity excluding non-recurring items – weighted average (%)	4.12	3.43	3.43	Increase 0.69 pct.pt

Description of Principal Accounting Data and Financial Indicators of the Company:

- On 30 November 2022, the Ministry of Finance issued the "Interpretation of Accounting Standards for Business Enterprises (No.16)", in which the provisions on "accounting treatment for the non-applicability of initial recognition exemption to the deferred income tax related to the assets and liabilities arising from a single transaction" came into effect on 1 January 2023. For lease liabilities and right of use assets recognised for any single transaction due to the application of these provisions at the beginning of the earliest period of financial statement presentation for the first time, as well as the estimated liabilities and corresponding assets related to the retirement obligation recognised, resulting in a taxable temporary difference and a deductible temporary difference, the Group shall adjust the opening retained earnings of the earliest period of financial statement presentation and other relevant items of the financial statements with the cumulative impact pursuant to these provisions and the provisions of the "Accounting Standard for Business Enterprise (No.18) – Income Tax".

Financial and Operational Highlights

2. In 2020, the Company issued perpetual bonds of RMB4 billion, which were included in other equity instruments. The Company deducted the impact of perpetual bonds when calculating the earnings per share and weighted average return on net assets of each year pursuant to the relevant provisions.

Non-recurring Profit/Loss Items and Amounts

Unit: Yuan Currency: RMB

Non-recurring Item	2023 Interim	Notes
Gains or losses from disposal of non-current assets	13,907,938.90	
Government grants recognised in the profit or loss for the period, except for those which are closely related to the Company's normal business operation, qualified with the requirements under national policies and continuously entitled to government subsidies on a fixed amount or fixed quantity basis	11,074,072.54	
Capital occupation fee received from non-financial corporation recognised in the profit or loss for the period	2,971,698.12	
Profit and loss from fair value changes arising from the held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities other than those from the effective hedging business in relation to the normal operation of the Company; and the investment income from the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments	148,232,568.84	Mainly due to the gains from changes in fair value arising from equity interests held in participating companies
Other non-operating income and expenditure excluding above items	-32,887,738.73	Mainly due to the contract penalty provided for by Nanjing Wind Power based on the arbitration results
Less: Income tax effects	30,265,971.32	
Minority shareholder's interest effects (after taxes)	-11,649,306.31	
Total	124,681,874.66	

II. Financial Summary for Five Years

Financial Summary (Unit: RMB million, unless otherwise stated)					
Item	2022 (Restated)	2021 (Restated)	2020 (Restated)	2019 (Restated)	2018 (Restated)
Revenue	9,373	10,890	8,027	6,390	6,468
of which: Toll revenue	4,978	5,893	4,387	4,722	5,656
Profit before interests and tax	3,597	4,419	3,463	3,400	8,058
Net profit	2,009	2,613	1,771	2,451	4,908
Net cash inflows from operating activities	3,369	3,757	1,059	1,658	3,233
Net cash inflows from operating activities and cash return on investments	5,825	7,637	2,519	3,408	6,136
Interest covered multiple (times)	3.16	4.05	3.16	3.51	6.50
Earnings per share (RMB Yuan)	0.836	1.113	0.805	1.124	2.250
Cash dividends per share (RMB Yuan)	0.462	0.62	0.43	0.52	0.71

Item	As at 31 Dec 2022 (Restated)	As at 31 Dec 2021 (Restated)	As at 31 Dec 2020 (Restated)	As at 31 Dec 2019 (Restated)	As at 31 Dec 2018 (Restated)
Total assets	69,205	72,305	67,073	57,037	55,713
Total liabilities	41,841	40,772	36,837	33,995	31,732
Total equity	27,364	31,533	30,236	23,042	23,982
Debt-to-asset ratio (%)	60.46	56.39	54.92	59.60	56.96
Gross liabilities-to-equity ratio (%)	152.90	129.30	121.83	147.53	132.32
Net borrowings-to-equity ratio (%)	110.12	79.13	74.05	87.56	82.75
Net assets per share (RMB Yuan)	7.96	9.89	9.22	8.00	8.40

- Description of Key Financial Ratios

Profit before interests and tax = Net profit + Income tax expenses + Interest expenses

Net cash inflows from operating activities and cash return on investments = Net cash flows from operating activities + Cash received from disposal of investments + Cash received from returns on investments

Interest covered multiple = Profit before interests and tax/Interest expenses

Debt-to-asset ratio = Total liabilities / Total assets

Gross liabilities-to-equity ratio = Total liabilities / Total equity

Net borrowings-to-equity ratio = (Total amount of borrowings – Cash and cash equivalents) / Total equity

MANAGEMENT DISCUSSION AND ANALYSIS

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Management Discussion and Analysis

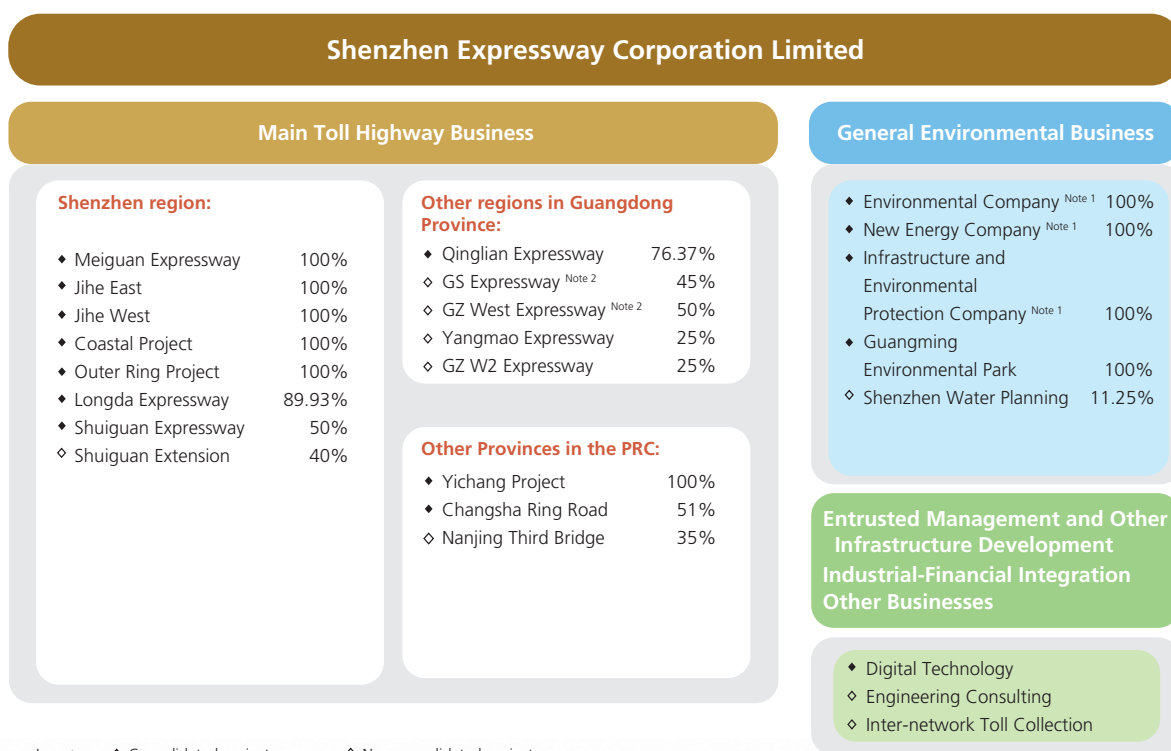
I. Main Businesses and Industry

(I) Overview of Main Businesses

The Company principally engages in the investment, construction, operation and management of toll highways, and the general-environmental protection business. At present, the general-environmental protection business mainly includes solid waste treatment and clean energy business. The Group adheres to a market-oriented, specialised and industrialised approach, and has gradually established various business platforms for urban infrastructure, environmental protection, operation, construction, new energy and other businesses which include the Investment Company, a company principally engages in the business of infrastructure construction joint comprehensive development of land; the Operation Development Company, a company principally engages in highway operation, maintenance management services and intelligent transportation; the Environmental Company, a company principally engages in environmental protection industry such as recovery and solid waste treatment; the Construction Company, a company principally engages in the provision of project construction management services; the Infrastructure and Environmental Protection Company, a company, located in the Shenshan Special Cooperation Zone, engages in the provision of large-scale infrastructure construction management services for the cooperation zone and the environmental project investment within the cooperation zone, and the New Energy Company, a company principally engages in the expansion of new energy businesses relating to wind energy and other new energy; and the industry financial management department, which acts as a consolidated management platform of the Group for the industrial-financial integration business. Through

the aforesaid business platforms, the Group will give full play to its own competitive advantages in infrastructure investment and financing, construction, operation and integrated management. The Group will also actively extend its business scope upstream and downstream the industry chain of its dual core businesses of “toll highways + general-environmental protection”, and develop other service-oriented businesses, such as operation maintenance, engineering management, industrial finance and digital technology and other service businesses, striving for greater room for the development of the Group’s operation.

As of the date of this report, the main businesses of the Group are set out as follows:



(II) Particulars of the Industry in which the Company Operates during the Reporting Period

In the first half of 2023, international geopolitical turmoil intensified, the global inflation pressure kept rising, overseas demand slowed down, global economic growth went sluggish, and the complex and volatile external environment posed challenges to China’s foreign trade and economic growth. Faced with the severe and complex external environment, China adhered to the overall tone of seeking progress while maintaining stability, and coordinated macroeconomic regulation policies scientifically. In the first half of 2023, a GDP of RMB59.30 trillion was realised, a YOY increase of 5.5%, in which GDP grew by 4.5% in the first quarter and 6.3% in the second quarter year on year, indicating an overall rebound in economic performance. In the second half of 2023, China’s economic growth is expected to stabilise within a reasonable range. The long-term trend of steady economic development is conducive to the proper implementation of investment, production and operation activities of enterprises, which drives the stable growth in general demand for highway transportation and logistics, and increases the demand for environmental protection businesses such as solid waste treatment and clean energy to a certain extent. Source of data: government statistics information website

Management Discussion and Analysis

1. Toll Highway Business

Expressways are an important component of the national comprehensive transportation system. According to information released by transportation authorities, by the end of 2021, over 98% of cities with a population of over 200,000 in China were covered, and approximately 88% of county-level administrative divisions and approximately 95% of the population of China are connected by the expressway network; by the end of 2022, the total mileage of expressways in China reached 177,300 kilometres, representing an increase of 8,200 kilometres from the end of the previous year. Supported by the increasingly perfect expressway network, China's expressway transportation service capacity has significantly improved, and the expressway network has become important ties promoting regional economic development, and played an important role in promoting industry restructuring, improving the quality of economic development, and the transportation efficiency of urban agglomerations and metropolitan areas, and establishing fast and convenient urban and rural passenger and cargo transportation service systems. As an important fundamental industry in national economic development, the expressway industry is characterised by being affected by macroeconomic fluctuations to a lesser extent, relatively rigid transportation demand, abundant cash flows, etc.

In terms of competitive landscape, compared to transportation modes such as railway and aviation, expressways feature large capacity, fast travel, low travel costs, high flexibility, etc., especially for short-distance or small-scale passenger and cargo transportation. With the development of the national economy, there is a clear trend for the public to choose expressways for self-driving. As the most basic and extensive transportation mode in the comprehensive transportation system, short-distance, fast and direct expressway transportation will have long-term competitive advantages. According to the Statistical Bulletin 2022 on the Development of the Transportation Industry (《2022年交通運輸行業發展統計公報》) released by the MOT, the transportation volume of small passenger cars with 9 seats or less on expressways reached 17 billion people in 2022, their proportion in cross-regional travel keeps rising, and the position and role of expressways in public travel are further highlighted.

In terms of industry development trends, China is accelerating the modernisation process of the transportation industry and moving towards a new stage of high-quality development. The "14th Five-Year" Development Plan for the Modern Comprehensive Transportation System (《「十四五」現代綜合交通運輸體系發展規劃》) released by the State Council has made top-level design and systematic arrangements for the establishment of a modern comprehensive transportation system during the "14th Five-Year" Plan period. In particular, for the highway industry, it proposes to ameliorate the highway system structure and functions, improve the national expressway network's quality, expand and reconstruct busy sections of trunk national expressway, and accelerate the construction of parallel lines, connection lines and unfinished sections during the "14th Five-Year" Plan period; by 2025, China shall have realised integrated development in comprehensive transportation, where the total mileage of completed expressways will be 190,000 km. The "14th Five-Year" Plan for Highway Development (《公路「十四五」發展規劃》) released by the MOT proposes to accelerate the interconnection of national expressways, continue to promote the expansion and reconstruction of busy national expressway passages, actively improve high-speed networks of urban agglomerations and metropolitan areas, and orderly promote the construction and reconstruction of ring expressways, urban entrance and exit sections, and interchanges in megacities and core cities of urban agglomerations, and make arrangements for the construction of strategic passages and local expressways during the "14th Five-Year" Plan period; by 2025, expressways will reach cities and counties with

an urban population of 100,000 or more, and the trunk lines of the “71118” national expressways will basically be connected. As China’s transportation system enters a new stage, the expansion and reconstruction market of existing busy and congested road sections, as well as road sections newly planned by the government will still bring room for development to the expressway industry; in addition, the government’s high-quality development requirements for improving the quality of comprehensive expressway transportation services, building intelligent expressways, and improving highway maintenance efficiency have also brought new market demand to the expressway industry. Delivering intelligent transportation application platforms and service systems, offering digital products and professional services, and providing professional road maintenance services to society will also be new business opportunities for toll highway enterprises.

Being dedicated to the transportation infrastructure industry for over two decades, the Group has gained extensive experience in areas such as road investment, construction and operation management. Currently, the Group has invested in or operated 16 toll highway projects in total, with the controlling interest mileage of approximately 643 kilometres, mainly located in Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area and economically developed regions with favourable geographical advantages and excellent asset conditions. The Company is in the leading position in terms of the scale of road assets and profitability among the listed domestic expressway companies in the PRC. At present, the Company is actively promoting the construction of the Outer Ring Project, and the preliminary work for the reconstruction and expansion of Jihe Expressway and GS Expressway to keep enriching the Group’s high-quality highway assets. In addition, the Group actively promotes the research and application of intelligent transportation in response to the requirements of quality and efficiency improvement, upgrading, and high-quality development. In recent years, the road network monitoring, command and control system platform has been successfully launched and put into operation, providing an information application platform for realising road network operation monitoring and management, business synergy and emergency response, and other businesses; the integrated information platform for the management and control of the road condition of Outer Ring Project developed by the Group has obtained the national computer software copyright and obtained two national practical innovation patents. The expressway construction management platform based on BIM technology has been basically completed. In addition, the Group has obtained the Class I general contracting qualification for highway project construction, creating admission conditions for developing higher-level municipal and highway maintenance markets. The Group has expanded upstream and downstream industry chains moderately to deeply empower the development of its main businesses. For further details of the industry position of the Group, please refer to “Analysis of Core Competitiveness” below.

2. General-Environmental Protection Business

During the last strategic period, having set the goal of entering the general-environmental protection industry for strategic transformation, the Group prudently sought opportunities for cooperation with environmental protection enterprises to enter the environmental protection and clean energy business sector from a high starting point while consolidating and improving the main business of toll highways. Moreover, it gradually shifted focus to the solid waste treatment and clean energy power generation industries through investment and M&A over the past few years, thereby initially realising its preliminary layout in the general-environmental protection industry. Being supported by national policies, the solid waste treatment and clean energy industries are relatively more aligned with the resource advantage, and management and operation mode of the Group in view of its heavy assets and stable business operation.

Management Discussion and Analysis

◆ **Solid waste treatment industry:**

The “14th Five-Year” Plan period is a critical period for China to further promote the construction of ecological civilisation. The Outline of the “14th Five-Year” Plan for National Economic and Social Development, and the Long-Range Objectives through the Year 2035 (《國民經濟和社會發展第十四個五年規劃和2035遠景目標綱要》) proposes to implement waste sorting, reduction and recycling, and accelerate the construction of a recycling system of waste materials, which puts forward new and higher requirements in the promotion of China’s circular economy. Organic waste recycling is an important starting point in building an ecological civilisation system. Since the beginning of the “14th Five-Year” Plan period, the national ministries and commissions concerned have promulgated a series of policies on the construction of “zero-waste cities”, the sorting and management of domestic waste, charging mechanisms, pollution and carbon reduction, and integrated solid waste utilisation. The “14th Five-Year” Plan for the Development of Urban Domestic Waste Classification and Treatment Facilities (《「十四五」城鎮生活垃圾分類和處理設施發展規劃》) issued by the NDRC proposes to carry out trials on and demonstration of domestic waste sorting in 46 key cities, cover 86.6% of residential quarters, and largely establish a system of sorted placement, collection, transfer and treatment of domestic waste; proposes that by the end of 2025, the recycling rate of urban domestic waste in China will reach approximately 60%, and the sorted collection and transfer capacity of domestic waste will reach approximately 700,000 tons/day, largely meeting the demand of sorted waste collection, transfer and treatment in prefecture-level or above cities, and also puts forward requirements for the orderly construction of kitchen waste treatment facilities. The implementation of relevant policies such as “waste sorting” and “zero-waste cities” guides solid waste treatment to a refined and professional path. The implementation of the domestic waste charging system and the improvement of the waste treatment charging mechanism are expected to accelerate the construction of waste treatment facilities in all places, and improve the commercial environment and profit model of the waste treatment industry.

Driven by a series of comprehensive solid waste treatment policies implemented by the state, the solid waste treatment industry has seen significant market opportunities. By the end of 2022, the average coverage rate of waste sorting of residential quarters in 297 prefecture-level or above cities in China reached 82.5%, the daily treatment capacity of domestic waste reached 530,000 tons, and the incineration capacity accounted for 77.6% Data source: information publicly released by the Ministry of Housing and Urban-Rural Development, and the recycling level of urban domestic waste had been greatly improved. At the national on-site meeting on urban domestic waste sorting held by the Ministry of Housing and Urban-Rural Development in May 2023, it was proposed that China would strive to reach a coverage rate of waste sorting of residential quarters or above cities of over 90% by the end of 2023, and largely realise full coverage by the end of 2025, indicating that the waste treatment industry still has huge market demand. Currently, China’s solid waste treatment industry has low degrees of industrialisation and market concentration, and there is a certain capacity gap from the industry planning requirements. With the progress of the construction of “zero-waste cities” and the broader implementation of the waste sorting policy, the development of the solid waste treatment industry is entering a rapid growth stage. In terms of competitive landscape, an administrative license system is practised in the solid waste treatment industry, which requires enterprises to establish sophisticated treatment models and regulated operating standards, so there is a certain entry barrier. On the other hand, a capital barrier exists for large-scale organic solid waste treatment projects due to a huge investment, long construction and payback periods, and complicated treatment techniques. In addition, the solid waste treatment industry is closely related to regional economies and local government policy directions, and has strong regional attributes. Therefore, enterprises with higher qualifications and capital strength are more competitive.

In the solid waste treatment business, Bioland under the Environmental Company, a wholly-owned subsidiary of the Company, is currently a major enterprise in the field of integrated organic waste treatment, construction and operation in China, and has service capabilities throughout the industry chain. As of the date of this report, Bioland had 20 organic waste treatment projects under the BOT/PPP models in total. Lisai Environmental, with 70% equity interests held by the Environmental Company, has the concession for biomass waste disposal BOT projects in some parts of the urban area of Shenzhen. The Shaoyang Project wholly owned by the Environmental Company started trial operation in February 2023. In addition, the Guangming Environmental Park Project wholly owned by the Company is under active construction and is scheduled to be completed and put into production in 2023. As of the date of this report, the Group had a design organic waste treatment capacity of over 6,900 tons/day, ranking top in the domestic industry. As a newcomer in the recovery and solid waste treatment industry, the Group will further integrate management and build a professional talent team, strive to improve technological processes, seek market expansion actively, and continually enhance core competitiveness and profitability.

◆ **Clean energy industry:**

The Plan for a Modern Energy System during the “14th Five-Year” Plan Period (《「十四五」現代能源體系規劃》) issued by the NDRC and the National Energy Administration proposes that the proportion of consumption of non-fossil energy sources will rise to 20% by 2025, and calls for the large-scale exploitation and high-quality development of wind and photovoltaic power generation. In early June 2022, 9 departments including the NDRC jointly published the “14th Five-Year” Plan for the Development of Renewable Energy (《「十四五」可再生能源發展規劃》) and proposed new development goals for the wind power industry. During the “14th Five-Year” Plan period, the increased power generation by renewable energy shall represent more than 50% in the growth of the social power consumption, and the wind and solar power generation shall be doubled. Meanwhile, the document has also defined the key areas for large wind and photovoltaic power generation base development, distributed development, water-wind-photovoltaic comprehensive base integrated development and offshore wind power clustered development. The report of the 20th National Congress of the Communist Party of China proposes to “promote the clean and efficient utilisation, and technological R&D of energy sources, accelerate the construction of the new energy system, and increase the proportion of renewable energy sources”, showing the way for the construction of the new energy system. 2023 is a transitional year for the implementation of the “14th Five-Year” Plan for the Modern Energy System. Departments such as the National Energy Administration and the Ministry of Natural Resources have promulgated a series of policies and documents on the construction, action planning, management and implementation of the new energy system, with focus on wind and photovoltaic power. The Guiding Opinions 2023 on Energy Work (《2023年能源工作指導意見》) issued by the National Energy Administration in April 2023 propose to deepen structural transformation, and define the main goals for 2023 including “increasing the proportion of non-fossil fuels to total energy consumption to approximately 18.3%; increasing the proportion of non-fossil energy installed power generation to approximately 51.9%; increasing the proportion of wind and photovoltaic power generation to total social power consumption to 15.3%; and promoting replacement with electricity in key areas steadily.” The relevant state policies for the in-depth implementation of green and low-carbon energy transformation will bring sustainable and stable room for development to the clean energy industry.

Management Discussion and Analysis

After around a decade of development, China's clean energy industry has achieved leapfrog development, ranking the first in the world in terms of installed capacity of wind and photovoltaic power generation. According to information released by the NDRC, by the end of 2022, the installed capacity of wind and photovoltaic power of China exceeded 700 million kilowatts. In 2022, the new electricity generating power of wind and photovoltaic power accounted for 78% of nationwide newly installed capacity, and the newly installed capacity of wind and photovoltaic power accounted for over 55% of China's new electricity output in that year. Under this strong development momentum, there are many participants in the domestic wind and photovoltaic power industry chain, the market competition is fierce, a number of leading enterprises with obvious advantages have emerged in various fields, and a relatively stable competitive landscape has been largely formed; in particular, in the field of wind farm development and operation, due to high technical and financial barriers in the industry, most participating entities are large energy groups with solid strength and a state-owned background; in the field of wind power equipment, in the new cycle of "grid parity", there is an obvious upsizing trend of wind turbines. With the progress of development and construction of national wind power bases, the upsizing trend of wind turbines will be accelerated in the future, which imposes higher requirements on the technological R&D capabilities, and product upgrading efficiency of wind turbine manufacturers.

The Group has wind power projects with an aggregate installation capacity of 648MW through investment and M&A; during the Reporting Period, the Company and a holding subsidiary of State Power Investment Corporation (SPIC) jointly established a project company to jointly invest in and develop wind and photovoltaic power projects in the new energy field; in addition, the Group holds 51% equity interests in Nanjing AVIS, which focuses on wind power post-operation and maintenance through a joint venture established together with SPIC Fujian Company. The Group also holds a financing leasing business license. Through early-stage layout planning, the Group has developed integrated business capabilities in the investment, operation, post-operation and maintenance services, and financing of wind farm and photovoltaic projects. As a newcomer in the industry, the Group will intensify the integration of internal management of the merged enterprises, give full play to the synergistic advantage across upstream and downstream new energy industry chains, and actively enhance the overall market competitiveness of the industry chain to boost the stable development of the Group's clean energy business.

II. Analysis of Core Competitiveness

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

State-owned infrastructure platform advantage in the Greater Bay Area: Located in Shenzhen, the Company is a platform for the investment, construction, management and maintenance of highway and environmental infrastructure under the Shenzhen SASAC. The majority of the highway projects and certain environmental infrastructure projects invested and operated by the Company are located in Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area, providing the Company with a geographic advantage and a synergistic advantage as a state-owned platform. The Company actively seizes major strategic opportunities arising from the development of the “two regions”, namely the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen, as the Pioneering Demonstration Zone of Socialism with Chinese Characteristics and the “Double-Hundred Action” for state-owned enterprise reform. The Company focuses on the new plan of innovative urban construction and integrated infrastructure services in the region, leverages the advantages as a state-owned platform to meet government demand, and thereby actively acquires opportunities of participating in high-quality highway and environmental infrastructure projects in the region to further improve the room for the Company’s business development. The development of the “two regions” not only creates new project opportunities, but also continues to boost the demand for transportation and solid waste treatment, which invigorates the operating performance of the Company’s existing highway and environmental projects. In addition, the Company integrates the development plan of the urban agglomeration in the region with the Company’s dual core businesses, actively explores the land development business along the highway projects in the Greater Bay Area, and gives play to its synergistic role to unleash the development value of land along these projects and increase the overall profitability.

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

Management Discussion and Analysis

Innovation capability: The Company has been focusing on reform and innovation. In terms of business development strategy, by carefully studying the market conditions and industry development trends, and leveraging its own characteristics, the Company has taken the innovative move of listing the general-environmental protection industry as its second largest core business after its transformation and upgrading, and continued to deepen its implementation, laying a foundation for the improvement and sustainable development of the Group's core businesses. In the field of transportation infrastructure, based on changes in the industry environment and target needs of stakeholders, the Group applies innovative business models such as the acquisition of toll highway services by the government, and cooperative investment in construction and expansion projects, which not only meet government needs for transportation planning, and economic and social development, but also bring reasonable business return to the Group, thereby realising the development and breakthrough of the Group's core business of toll highways. In addition, the Company has been focusing on innovation in professional fields, and studied and applied new technologies, materials, processes and models through innovative design and management concepts in key construction projects in collaboration with suppliers. It has overcome a large number of technical difficulties and made multiple scientific research achievements in the industry. Currently, in response to the current trend of rapid development in digital information technology, the Group actively promotes the research and application of intelligent transportation/environmental protection technologies. Actively utilising its innovation capability in various sectors, the Company strives for innovation and transformation to continually improve its operation and development performance.

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

III. Discussion and Analysis of the Operations

2023 is a crucial transitional year for the implementation of the Group's "14th Five-Year" Plan development strategy. During the Reporting Period, guided by the strategic goals of the "14th Five-Year" Plan, the Group actively took measures to promote production and operation, and improve production efficiency, actively tapped potential to improve efficiency, and did well in toll highways, general-environmental protection and other related businesses. During the Reporting Period, the Group recorded revenue of approximately RMB4.125 billion, representing a YOY increase of 0.75%. Among them, the toll revenue was approximately RMB2.599 billion, the revenue from environmental protection businesses such as clean energy and solid waste treatment was approximately RMB752 million, and the other revenue was approximately RMB773 million, accounting for 63.01%, 18.24% and 18.75% of the total revenue of the Group, respectively.

(I) Toll Highway Business**1. Business Performance and Analysis**

The average daily traffic volumes and toll revenues of all toll highways operated and invested by the Group in the first half of 2023 are as follows:

Toll highways	Average daily mixed traffic volume (number of vehicles in thousands) ⁽¹⁾	YOY	Average daily toll revenue (RMB '000)	YOY
Guangdong Province – Shenzhen Region:				
Meiguan Expressway	159	22.9%	408	14.1%
Jihe East	312	17.0%	1,820	9.3%
Jihe West	213	22.0%	1,459	19.9%
Coastal Project ⁽²⁾	182	38.8%	1,637	29.3%
Outer Ring Project	296	33.7%	3,140	29.0%
Longda Expressway	162	23.8%	411	18.6%
Shuiguan Expressway	263	18.9%	1,690	12.6%
Shuiguan Extension	63	21.3%	210	16.5%
Guangdong Province – Other Regions:				
Qinglian Expressway	51	14.8%	1,905	11.2%
Guangshen Expressway ⁽³⁾	627	23.7%	7,687	27.4%
GZ West Expressway ⁽³⁾	262	21.9%	3,406	20.2%
Yangmao Expressway	54	22.0%	2,079	20.5%
GZ W2 Expressway	86	23.8%	1,279	17.4%
Other Provinces in the PRC:				
Yichang Project	61	14.9%	1,185	10.0%
Changsha Ring Road	92	12.2%	703	6.6%
Nanjing Third Bridge	39	39.6%	1,469	18.2%

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) According to the freight compensation agreement entered by the Shenzhen Transportation Bureau, the Company and Coastal Company, during the period from 1 January 2021 to 31 December 2024, trucks passing through the Coastal Expressway shall be charged at 50% of the standard toll rates, and such toll waived by Coastal Company shall be compensated by the government in a one-off manner in March of the following year.
- (3) On 11 January 2022, the Group completed the acquisition of 100% equity interests in SIICHIC, thereby indirectly holding approximately 71.83% equity interest in Bay Area Development, which indirectly enjoys 50% profit of GZ West Expressway and 45% profit of GS Expressways. The average daily toll revenues of GS Expressway and GZ West Expressway listed in the above table is tax-exclusive.

Management Discussion and Analysis

In the first half of 2023, with the comprehensive resumption of domestic economic and social operation, the demand for road transportation rebounded rapidly. However, due to the global economic downturn and weak overseas demand, there was overall pressure on the domestic economy and production, resulting in relatively slow growth in road cargo transportation demand; on the other hand, benefiting from the enhanced public willingness for self-driving after the comprehensive restoration of social order, and the traffic volume of passenger vehicles rebounded steadily; In addition, the concession period of Wuhuang Expressway expired in December 2022, which had a certain impact on the Group's toll revenue during the Reporting Period. Due to the low base during the same period last year, the toll highways operated and invested by the Group saw significant YOY growth in traffic volume and toll revenue during the Reporting Period.

Moreover, the operating performance of toll highways is also affected positively or negatively by such factors as changes in surrounding competitive or coordinated road networks, the construction or maintenance of these projects themselves, the repair of connected or parallel roads, and the implementation of urban traffic organisation plans.

(1) Guangdong Province – Shenzhen Region

In the first half of 2023, the economic development of the Shenzhen region continued to recover and showed a positive trend, and the total import and export volume of goods kept growing, driving the restorative growth of enterprise logistics transportation and public travel demand. In February 2023, the Shenzhen-Hong Kong port fully resumed clearance, which had the positive impact of promoting the rebound of passenger and cargo traffic volumes between Shenzhen and Hong Kong; during the Reporting Period, the pace of building Shenzhen into a global logistics centre was accelerated, with eight new combined port routes added to Shenzhen's east and west wing ports, and multiple international cargo routes opened at the Shenzhen Airport. This will have a positive impact on the growth of the Company's cargo vehicle traffic volume in port and airport connecting sections. On the other hand, although there has been an upturn in the domestic economy, the endogenous power is still insufficient. During the Reporting Period, the container throughput of Shenzhen Port decreased year-on-year, which had a certain impact on the recovery of the Company's cargo vehicle traffic volume in Shenzhen. During the Reporting Period, the total toll revenue of the Group's road sections in the Shenzhen region increased by more than 20% year on year.

Among them, the Outer Ring Project, as important transportation infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area, is a densifying line in the main network of the "12 verticals, 8 horizontals and two rings" expressways in Guangdong Province, and an important part of the network of the "8 horizontals and 13 verticals" trunk roads in Shenzhen. Outer Ring Phase II was officially opened to traffic on 1 January 2022, and connected to Outer Ring Phase I, forming the most convenient west-to-east trunk road in Shenzhen, and showing excellent operating performance. During the Reporting Period, the average daily traffic volume and toll revenue of the Outer Ring Project grew by 33.7% and 29.0% year on year, respectively. To give further play to the overall benefits of the Outer Ring Project, the Board of the Company has approved the construction of Outer Ring Phase III. For details, please refer to "Business Development" below.

(2) *Guangdong Province – Other Regions*

During the Reporting Period, as production and living order along the line returned to normal, the operating performance of Qinglian Expressway showed restorative growth. Guanglian Expressway (Guangzhou-Lianzhou), which is largely parallel to Qinglian Expressway, was fully opened to traffic at the end of 2021, resulting in a certain traffic diversion impact on Qinglian Expressway. In order to increase traffic volume, Qinglian Company has publicized the advantageous location of the expressway and improved the service level to attract more traffic by multiple means.

GS Expressway is an important fast passage between Guangzhou and Shenzhen, and GZ West Expressway is a component of the ring expressway network of the Pearl River Delta. During the Reporting Period, with the improvement of production and operation order of the cities along the line, the traffic volume and toll revenue of these sections grew substantially. In addition, during the Reporting Period, the opening of Zhongshan West Ring Expressway in January 2023 and the implementation of traffic controls over the surrounding local road network had both positive and negative impacts on the traffic volume of GZ West Expressway, but with a slight overall impact.

After the completion of reconstruction and expansion at the end of 2021, the two-way and eight-lane Yangmao Expressway has been fully opened to traffic, significantly improving traffic capacity. Benefiting from the interconnection of neighbouring highways that have opened to traffic successively, and the policies implemented by governments at all levels, such as promoting the tourism economy, the passenger vehicle traffic volume of Yangmao Expressway grew significantly and showed good operating performance during the Reporting Period.

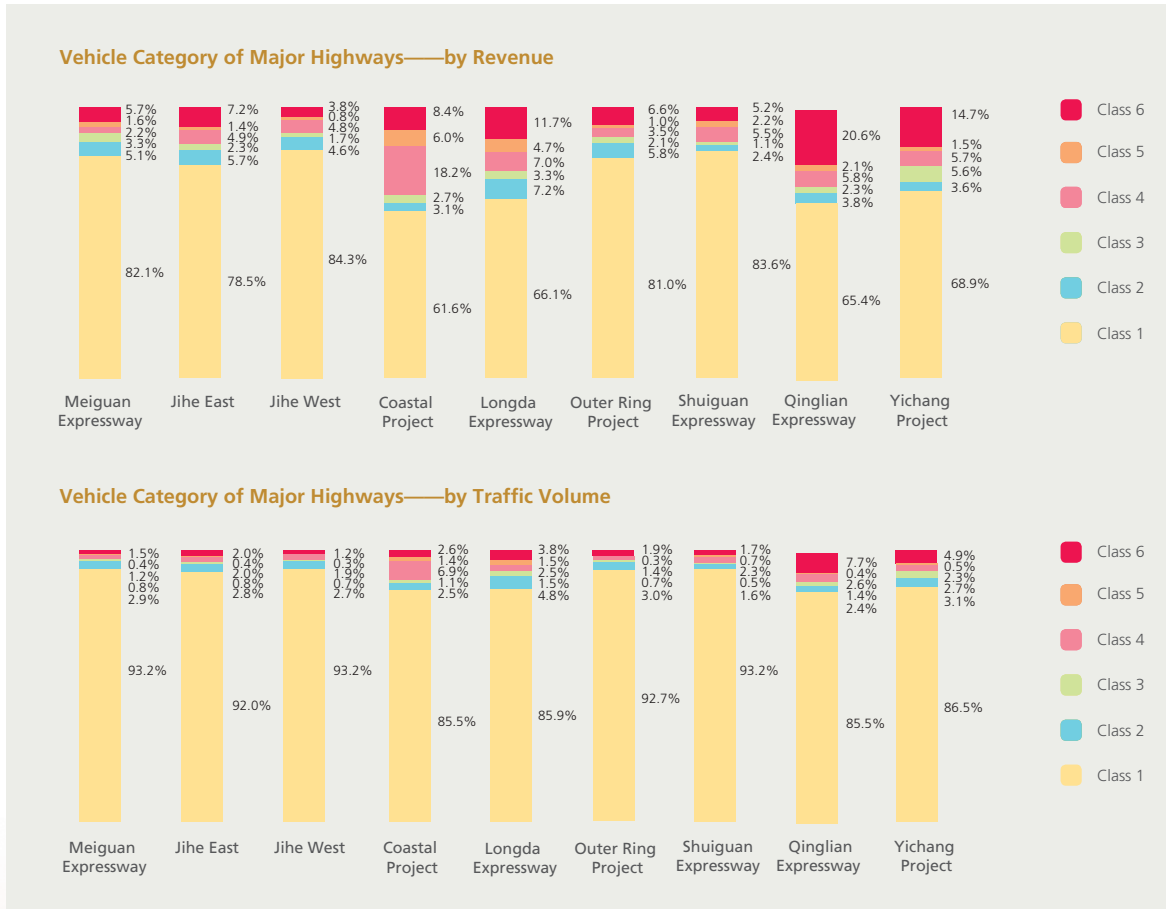
(3) *Other Provinces*

During the Reporting Period, with the comprehensive restoration of social order and the implementation effect of a series of policies to promote stable economic growth introduced by governments at all levels, the operating performance of Yichang Expressway, Changsha Ring Road and Nanjing Third Bridge all showed restorative growth.

Management Discussion and Analysis

Reference Information

In the first half of 2023, there was no substantial change in the proportions of different vehicle types for each major highway project of the Group as compared with last year. The following diagram shows the proportions of different vehicle types of the major toll highway projects of the Group:



2. *Business Development*

Shenzhen Outer Ring Expressway runs from east to west, and is mostly located in the northern part of Shenzhen with some sections located in Dongguan. The total length is approximately 93 kilometres, of which, the Shenzhen section of Outer Ring Expressway (the Outer Ring Project) invested and constructed by the Company has a total length of approximately 77 kilometres. The Outer Ring Project is implemented in three phases. With the approval of the Company's 2015 annual general meeting, the Group invested RMB6.5 billion in the construction of Outer Ring Phases I and II. The Shajing-Guanlan section is 35.58 kilometres long, and the Longcheng-Pingdi section is 15.07 kilometres long in Outer Ring Phase I, totalling approximately 51 kilometres, and were completed and opened to traffic on 29 December 2020; the Pingdi-Kengzi section in Outer Ring Phase II is approximately 9.35 kilometres long, and was completed and opened to traffic on 1 January 2022. In April 2023, the Development and Reform Commission of Guangdong Province approved the estimated total investment of RMB8.447 billion in the Kengzi-Dapeng section of approximately 16.8 kilometres in Outer Ring Phase III. On 14 July 2023, the Board approved the Company to continue investing approximately RMB8.447 billion in the construction of Outer Ring Phase III. The Outer Ring Project is important transportation infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area. After full-line opening, it will be connected to 10 expressways and 8 first class highways in the Shenzhen region. It is an important backbone line for west-to-east traffic connection in northern Shenzhen and an important cornerstone for the Group's sustainable development. Completing the construction of the entire Outer Ring Project is the responsibility of the Company (including Outer Ring Company) as the project owner, and will create necessary conditions for applying for a reasonable toll collection period for the Outer Ring Project; upon completion, Outer Ring Phase III will enrich the Company's core highway assets, realise the best overall economic and social benefits of the Outer Ring Project, and also bring an extra traffic volume to other toll highways in the Group by improving the road network layout. For details about the Outer Ring Project, please refer to the relevant contents in the announcements dated 18 March 2016 and 14 July 2023, and the circular dated 25 April 2016 of the Company.

Coastal Phase II commenced construction in December 2015, mainly including the interchange of the International Convention and Exhibition Centre, and the connecting line on the Shenzhen side of Shenzhen-Zhongshan Bridge. The interchange of the International Convention and Exhibition Centre was completed and put into operation in 2019. The total length of the Shenzhen side of Shenzhen-Zhongshan Bridge is approximately 5.7 kilometers with two interchanges, namely airport interchange and Hezhou interchange respectively. Running from east to west, it starts from Huanghe toll station of Jihe Expressway (connecting with Jihe Expressway) and ends at the eastern artificial island of Shenzhen-Zhongshan Bridge (connecting with the open section of Shenzhen-Zhongshan Bridge). Upon completion, it will be connected to Coastal Phase I, Jihe Expressway, GS Expressway, Shenzhen-Zhongshan Bridge and Bao'an International Airport. During the Reporting Period, the construction of roadbeds, bridges and auxiliary works along Coastal Phase II was underway, with focus on promoting the construction of the bridge structures of the airport interchange and parallel section. As at the end of the Reporting Period, Coastal Phase II had been completed by approximately 85%, in which the construction of roadbeds, bridges and pavements had been completed by approximately 83%, 92% and 45%, respectively. After the full completion of Coastal Phase II, it will not only improve the traffic conditions of the Shenzhen Airport, but also enhance the connection between the west bank of the Pearl River and the trunk expressway lines of Shenzhen, which is significant for promoting the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area.

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The Board of the Company approved the Company to carry out preliminary design and other preparatory work for the Jihe Expressway reconstruction and expansion project in January 2018, and further approved the Company to carry out construction of the early-stage section of the Jihe Expressway reconstruction and expansion project, and the relocation of high-tension lines in 2020. The Jihe Expressway reconstruction and expansion project was approved by the Development and Reform Commission of Guangdong Province at the end of 2020. With the approval of the Board, on 30 September 2022, the Company signed a PPP project contract (“PPP contract”) with the Shenzhen Transportation Bureau for the reconstruction and expansion of Jihe Expressway, and two joint investment and construction agreements on project cooperation with the proposed investor SZCDTI. Since Shenzhen Municipal Government later intended to adjust the construction and implementation plan of the Jihe Expressway reconstruction and expansion project, and adjust the investment and financing plan accordingly, the above PPP contract was terminated on 31 March 2023 pursuant to the termination clause in the agreement, and the joint investment and construction agreements between the Company and SZCDTI cannot be performed for the moment. After the termination of the PPP contract, the Company, as the major entity of the Jihe Expressway reconstruction and expansion project approved by Guangdong PDRC, is actively supporting in the adjustment of the construction implementation plan, investment and financing plan, and related agreements for the project. As of the date of this report, the relevant adjustment plan was still being studied and justified. The Company will perform the corresponding approval procedure after the relevant investment and financing plan is made clear. For details, please refer to the Company’s announcements dated 30 September, 13 October, 20 October, 24 October and 2 December 2022, and 31 March 2023.

According to the Shenzhen Municipal Government’s plan and arrangements for Shenshan Second Expressway (Shenzhen-Shanwei) and with approval of the Board, the Company has commenced preliminary work for Shenshan Second Expressway such as study and design. During the Reporting Period, the Company actively conducted preliminary work such as environmental impact assessment, land use application and woodland use approval. Shenshan Second Expressway will have access to a number of trunk lines including Outer Ring Expressway upon completion. Becoming an express traffic passage between Shenzhen and Shenshan Special Cooperation Zone, the expressway will play a significant role in promoting economic cooperation and development in Shenzhen, Huizhou and Shanwei.

The Company indirectly holds approximately 71.83% shares in Bay Area Development, which is indirectly entitled to 50% and 45% of profit-sharing interests in GZ West and GS Expressways, respectively. Since the traffic volume of GS Expressway continues to reach saturation, in order to improve the traffic capacity of GS Expressway, Guangshenzhu Company plans to reconstruct and expand GS Expressway, and obtained the owner qualification for GS Expressway reconstruction and expansion in December 2019. In January 2021, the feasibility study of the GS Expressway reconstruction and preliminary procedures such as approval are being processed. Among them, the Guangzhou-Dongguan section of the GS Expressway reconstruction and expansion project obtained the preliminary approval of land use and the opinion on site selection in May 2023, the publicity before project approval has been completed, and it has entered the project approval stage. In addition, during the Reporting Period, Bay Area Development also conducted in-depth research on land along GS Expressway with its partner shareholders to explore feasible business models to promote the revitalisation, development and utilisation of land along the expressway. For the performance of Bay Area Development during the Reporting Period, please refer to its interim report 2023.

Based on the Company's financial status and investment plan, the Company plans to issue no more than 654 million A-shares ("Issuance") to no more than 35 (inclusive) specific targets (including XTC Company), which meet the criteria required by the CSRC. The proceeds to be raised from the Issuance will be no more than RMB6.5 billion (inclusive), and will be used for the investment and construction of the Outer Ring Project and the repayment of interest-bearing liabilities, after deducting relevant issuance expenses. The amount of A Shares to be subscribed by XTC Company shall be no more than RMB1.51 billion, and Shenzhen International shall indirectly hold no less than 45.00% in the shareholding of the Company in total upon completion of the Issuance. On 14 July 2023, the Board of the Company considered and approved the plan and related matters of the Issuance. The proposal related to the Issuance will be implemented after it has been approved by the general meeting and/or class meeting of the Company, and the general meeting of Shenzhen International, and upon the Company having obtained approval from the SSE and the CSRC having provided its consent for the relevant registration. The Issuance will be beneficial to the Company in further enhancing its capital strength, optimising its capital structure, reducing its financial costs, enhancing its anti-risk capability and competitiveness, further expanding the Company's investment and financing scope, promoting its future business development, and is in line with the interests of the Company and all its shareholders. For details, please refer to the announcement dated 14 July 2023 and the circular dated 24 August 2023 of the Company.

(II) General-Environmental Protection Business

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

1. Solid Waste Treatment

The organic waste treatment industry has relatively large room for development as supported by national environmental protection policies. Organic waste treatment is a key segment of priority development of the Group in the general-environmental protection industry and the Group is striving to become segment leader with industry-leading technology and scale advantages.

Bioland, a subsidiary the Company indirectly holds 92.29% of its shares, mainly relies on technologies such as efficient anaerobic reaction treatment, the MBR membrane bioreactors and its derivative techniques for the provision of systematically comprehensive solutions customers in regard of municipal organic waste treatment. Its business operation models mainly include PPP (including BOT, the same as below), environment protection construction (EPC), equipment manufacturing and marketing, etc. As of the date of this report, Bioland had 20 organic waste treatment projects in total, with a total design kitchen waste treatment capacity of over 4,800 tons/day, among which 13 (with a total design capacity of 3,020.5 tons/day) had entered into commercial operation. During the Reporting Period, the Hulhaote and Chuzhou Projects entered the trial operation and commissioning stages, respectively; the concession contract of the Ya'an Project was signed in May 2023, which is located in Yucheng District, Ya'an, Sichuan, with a designed kitchen waste treatment capacity of 210 tons/day. Currently, the project company is being established. In the first half of 2023, with the restoration of normal social order and the recovery of the catering market, the amount of kitchen waste grew year on year, and the operating revenue of Bioland grew to some extent. During the Reporting Period, Bioland treated approximately 471,900 tons of organic waste, sold 16,965.8 tons of oils and greases, and produced approximately 15.51 million kWh of biomass

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electricity. However, due to factors such as decline in oil and grease sales prices, and the low rate of reaching design capacity of some projects due to insufficient waste collection and transfer, the operating performance of Bioland in the first half year was lower than expected; in addition, the expansion of new projects was lower than expected, equipment orders were not implemented on schedule, some projects were completed but not accepted on schedule, resulting in failure to recognise revenue on schedule, and initial project costs were relatively high. Due to the combined effect of these factors, the overall operating performance of Bioland during the Reporting Period was below expectation. To reverse the unfavourable situation, Bioland is improving its operations by promoting the grid connection of the power generation projects, expanding surrounding markets of the projects to make up for the insufficient amount of waste collection and transfer, and exploring measures such as oil and grease collection outside the region; on the other hand, the Group will actively support its market development, further strengthen the cost management and control of Bioland, strive to reduce costs, and improve efficiency and profitability.

The Guangming Environmental Park Project which 100% owned by the Company, is located in Guangming District, Shenzhen, and is implemented under the BOT model. The project will be developed into a large-scale treatment plant with a processing capacity of 1,000 tons/day for organic waste, 100 tons/day for bulk waste (waste furniture) and 100 tons/day for greening waste. The proposed concession period of the project is 10 years and shall be extended for 5 years upon being qualified in assessment and approval by the regional government. During the Reporting Period, the main structure of the Guangming Environmental Park and the commissioning of some pre-treatment equipment were largely completed. The procurement and installation of main equipment, and the preparation before production and operation are being actively promoted. The civil engineering image progress is approximately 83.26%, and the overall equipment installation image progress is approximately 65%, and it is expected to be completed during the year.

The concession service area of Lisai Environmental, a subsidiary the Company indirectly holds 70% of its shares, is in Longhua District, Shenzhen. Its Biogenic Project is located in Yunan Environmental Park, Longgang District, Shenzhen, and is a key project of the Program 863 under the national "Eleventh Five-Year" Plan, with an original designed biogenic waste treatment capacity is 500 tons/day, and the concession periods for kitchen waste and municipal sludge treatment are "10+5" years, and 25 years, respectively. Lisai Environmental has officially transferred into commercial operation in December 2017, and has been entrusted by related government department, to assist in treating some kitchen waste in Futian District. During the Reporting Period, the Environmental Company has largely completed the technological transformation of the production line of Lisai Environmental. After the transformation, its kitchen waste treatment capacity will rise to 650 tons/day, its additional oil and grease treatment capacity will be 30 tons/day, and the kitchen waste collection and transfer capacity will rise to over 600 tons/day. Currently, full-capacity operation is realised. During the Reporting Period, Lisai Environmental, completed approximately 84,300 tons of organic waste treatment, and sold 3,783.15 tons of oils and greases.

The Shaoyang Project, which the Company indirectly holds 100% of its equity interests, is located in Daxiang District, Shaoyang, Hunan, with a designed kitchen waste treatment capacity of 200 tons/day, operating under the "TOT (Transfer-Operate-Transfer)" model, the concession period is 30 years. The trial operation of the Shaoyang Project began on 28 February 2023. During the Reporting Period, over 3,200 kitchen waste collection and transfer service agreements were signed with waste producers, with a cumulative kitchen waste collection and transfer volume of approximately 11,000 tons. Whole-process loaded commissioning has been completed for the waste pre-treatment system, and some equipment is in trial operation.

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

Organic waste			Organic waste disposal volume (thousand tons) Jan-Jun 2023	Operating income (RMB'000) Jan-Jun 2023	
Project	Shareholding ratio of the Group	Revenue consolidation ratio			
I. Bioland					
Guiyang Project	100%	100%	80.99	42,936.20	
Nanning Project	100%	100%	98.04	45,130.24	
Dezhou Project	100%	100%	59.13	16,025.06	
Taizhou Project	100%	100%	46.37	15,727.93	
Zigong Project	84.57%	100%	26.48	19,973.64	
Zhuji Project	90%	100%	29.85	9,629.71	
Longyou Project	100%	100%	27.79	1,544.05	
Handan Project	90%	100%	23.84	8,632.47	
Other projects	70~100%	100%	79.46	36,920.95	
Subtotal			471.95	196,520.24	
II. Lisai Environmental		70%	100%	84.29	68,849.55
Total			556.24	265,369.79	

The Company indirectly holds 63.33% equity interests in Shenshan Qiantai. Shenshan Qiantai is qualified for scrapping retired new energy vehicles and is principally engaged in providing scrapping, recycling and disposal services for diesel vehicles as well as integrated resources comprehensive utilisation services for new energy vehicles and retired electric-vehicle batteries. It is also the only whitelisted enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles" (《新能源汽车废旧动力电池综合利用行业规范条件》) in Shenzhen. During the Reporting Period, Shenshan Qiantai was recognised as a specialised, refined, differential and innovative small and medium-sized enterprise, and became the only pilot unit in Shenzhen to obtain a regional service centre for power batteries of new energy vehicles. During the Reporting Period, Shenshan Qiantai completed the R&D of a number of energy storage products, low-speed electric products and special vehicle battery products, and upgraded its production line to improve production capacity by making full use of its own qualification advantages and technological strength in the field of comprehensive utilisation of power batteries, such as vehicle disassembly, battery recycling, cascade utilisation and material regeneration, and based on market demand. In terms of power battery recovery and marketing, Shenshan Qiantai did not perform as well as expected in the first half of 2023 due to the sustained decline in price of lithium battery materials and the slowdown of demand growth of the power battery market; in the scrapped vehicle business, market prices of scrapped vehicle recovery kept rising in the first half year, but market prices of scrap metals declined, resulting in a decline in vehicle dismantling profits. The acquisition of the scrapped vehicle recovery business, and the overall volume of scrapped vehicle recovery and treatment were affected. Due to the above factors, the performance of Shenshan Qiantai during the Reporting Period was lower than expected. During the Reporting Period, Shenshan Qiantai stepped up its efforts to acquire new customer resources while maintaining partnerships with existing major customers, and expanded its scrapped vehicle recovery business to Shanxi, Sichuan and Fujian, etc. In the second half year, Shenshan Qiantai will further expand markets out of the province, and strengthen collaboration with upstream and downstream enterprises to promote business development.

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2. Clean Energy

As at the end of the Reporting Period, the cumulative installed capacity of the wind power projects invested and operated by the Group amounted to 648MW, including the five wind farms under Baotou Nanfeng Project (247.5MW), the three wind farms under Xinjiang Mulei Project (299MW), Yongcheng Zhuneng Project distributed wind farms (32MW) and Zhongwei Gantang Project (49.5MW). In addition, the Group holds 20% equity interests in Huai'an Zhongheng Wind Power Project (99.4MW). These wind farms are completed projects and commenced on-grid power generation. The local wind resources are abundant with promising power consumption. During the Reporting Period, the Group continued to enhance the operation and management of wind farms, tap their production potential and market opportunities actively, and strive to improve operating efficiency. The major operating data of the Group's wind power generation projects from January to June 2023 is as follows:

Wind Power			On-grid power supply (MWh) ⁽¹⁾ Jan-Jun 2023	Wind Power Project Revenue (RMB '000) ⁽¹⁾ Jan-Jun 2023
Project	Proportion of the Group's interest	Revenue consolidation ratio		
Baotou Nanfeng Project	100%	100%	412,949.32	129,244.60
Xinjiang Mulei Project	100%	100%	343,567.55	159,913.64
Yongcheng Zhuneng Project	100%	100%	47,748.88	24,428.24
Zhongwei Gantang Project	100%	100%	64,298.41	33,949.09
Huai'an Zhongheng Project	20%	-	115,780.70	58,243.39

Note:

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

During the Reporting Period, the New Energy Company established Jinshen New Energy with Weining Energy, a holding subsidiary of SPIC, at a shareholding basis of 65%:35% to jointly invest in and develop projects in the new energy field. Weining Energy is a large-scale new energy power generation enterprise in Guizhou. The establishment of a joint venture between the New Energy Company and Weining Energy can make up for the shortcomings of the New Energy Company in project resource development, construction and operation management, and realise rapid business development. As at the end of the Reporting Period, Jinshen New Energy had obtained the approval for the 180MW wind power project in Ziyun County, Guizhou. On 29 June 2023, according to the Announcement of Proposed Projects for the Annual Development and Construction Plan for Wind and Photovoltaic Power Generation (《風電、光伏發電年度開發建設方案擬安排項目情況公示》) released by the Development and Reform Commission of Hebei Province, New Energy Company independently applied the 60MW and 70MW photovoltaic projects that located in Pingshan County, Hebei, and had been included in the protected and reserved projects, respectively.

New Energy Company and SPIC Fujian Company jointly established Fenghe Energy on a 50%:50% shareholding basis in 2021, and acquired 51% equity interests in Nanjing AVIS in February 2022, via Fenghe Energy. Nanjing AVIS is a leading enterprise engaged in operation and maintenance services of gearbox equipment in the PRC with a high market share in the gearbox maintenance field. During the Reporting period, Nanjing AVIS signed sales orders in a total amount of approximately RMB142 million, mainly covering spare unit sales, repair of returned units, spare parts sales and maintenance services.

Based on its own capabilities and the external competitive landscape, Nanjing Wind Power's current business structure is focused on equipment sales, and wind farm operation and maintenance services for collaborative projects within the Group. During the Reporting Period, based on the Group's "integrated" clean energy system, Nanjing Wind Power actively provided post-operation and maintenance services, and equipment delivery for projects such as Huai'an Zhongheng, Zhongwei Gantang and Yongcheng Zhuneng. In addition, it cooperated with the New Energy Company to carry out market development for wind and photovoltaic power projects, and the implementation of reserved projects. During the Reporting Period, the operating performance of Nanjing Wind Power was below expectation. The Company will increase its integration efforts for Nanjing Wind Power, strive to streamline property rights and management relationships, accelerate asset revitalisation and fund recovery, and promote the implementation of its businesses and operations.

3. Other Environmental Protection Businesses

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

The Group holds 11.25% equity interests in Shenzhen Water Planning. Shenzhen Water Planning was listed on the Growth Enterprise Market of the Shenzhen Stock Exchange in August 2021 (stock code: 301038). For information on the business development of Shenzhen Water Planning, please refer to its interim reports 2023.

For details of the profits of the projects such as Bioland, Nanjing Wind Power, the wind power project and Derun Environment during the Reporting Period, please refer to the relevant contents in "Financial Analysis" below and notes V47 and V54 to the Financial Statements in this report.

(III) Entrusted Management and the Development of Other Infrastructure

Relying on the expertise and experience accumulated in the relevant areas throughout these years, the Group has continually launched or participated in the construction, operation and maintenance management businesses (also known as entrusted construction and entrusted management businesses). In addition, the Group has also attempted to use its own financial resources and financing capability to participate in the construction and development of local infrastructure and land along highways to obtain reasonable returns.

1. Entrusted Construction Business

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

Management Discussion and Analysis

During the Reporting Period, the Shenshan Environmental Park Project started the construction of supporting municipal roads, and the design of the pilot projects of public facilities and waste transfer stations in the park, in which the main part of Tonggang Avenue in the park is planned to be completed in 2023. The Longli River Bridge is a canyon landscape cable-stayed bridge that integrates transportation and tourism functions. Upon completion, it will have both driveways and sightseeing glass footpaths. As at the end of the Reporting Period, the Longli River Bridge had been completed and opened to traffic, the bridge towers were being coated, and the auxiliary works were under construction, with cumulative image progress of approximately 96.5%; the main structure of the Bimeng Resettlement Community had been completed, and the interior and exterior decoration and finishing, and garden landscaping works were underway, with cumulative physical shape progress of approximately 95.5%.

2. *Entrusted Management Business*

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

In June 2022, the Operation Development Company won the bid and renewed the contract of the comprehensive management and maintenance project for the Four Roads, with a term of 3 years and a cumulative contract amount of approximately RMB290 million. The Operation Development Company carried out all work in strict conformity with the contractual requirements and was rated excellence by the transportation management authority of Shenzhen City in the 2022–2023 contract year performance evaluation.

On 30 December 2022, the Operation Development Company successfully renewed the “2023 Property Operation and Maintenance Entrustment Agreement for the Baguang Toll Station of Yanba Expressway” (《2023年鹽壩高速公路光收費站物業運營維護管理委託協議》) with the Shenzhen Municipal Public Transportation Facility Management Office, with a contract amount of RMB17.93 million and a service period from 1 January to 31 December 2023. On 28 March 2023, the Operation Development Company successfully won the bid for the operation and management project of the Xiufeng, Tangbei, and Henggang toll stations of the Shenzhen Transportation Bureau. The project mainly involves the operation and maintenance management of six toll plazas and 45 lanes at the Xiufeng and Tangbei tolls stations of Qingping Phase II, and the Henggang toll station of Yanpai Expressway. The project contract follows the “annual renewal in three years” model, and the contract for the initial period was signed during the Reporting Period, with a service period from 10 April 2023 to 9 April 2024.

In 2021, the Engineering Development Company undertook the municipal road maintenance business in the entirety of Pingshan District, and some sub-districts in Guangming and Bao’an Districts through bidding in 2021. In the model of “annual renewal in three years”, the contract term is from 1 January 2021 to 31 December 2023, and the contract amount is approximately RMB273 million/year. During the Reporting Period, the Engineering Development Company carried out all management and maintenance tasks in strict conformity with the requirements, and in the first half of 2023, six new maintenance projects were undertaken, with a total amount of approximately RMB3.16 million.

By actively expanding upstream and downstream management and maintenance markets, the Group has not only increased its sources of income, but also developed the ability to provide professional highway management and maintenance services to society, laying a solid foundation for the future market expansion of the Group.

For details of the profits, income and expenses of the entrusted management business during the Reporting Period, please refer to the relevant contents in “Financial Analysis” below and note \47 to the Financial Statements in this report.

3. Development and Management of Land Projects

Relying on relevant management experience and resources, the Group has, since 2012, tried to integrate comprehensive land development linked with the main business of expressways, urban renewal business arising from land planning adjustment along expressways, and other business types, while paying close attention to and seizing opportunities for cooperation with advantageous areas and existing business-related areas as a beneficial supplement to highway project investment, in order to activate land assets, improve the comprehensive utilization value of assets, and provide new support for the sustainable development of the expressway business.

(1) Guilong Regional Development Project

The model of “construction -transfer” and ancillary land development was adopted for the Guilong Project, which enables the Group to accumulate business and management experience in respect of the exploration in Guizhou regional market and develop suitable business models. Following the Guilong Project, the Group has signed contracts with the Longli County Government or its platform company to jointly construct the Longli River Bridge and Bimeng Projects.

As at the end of the Reporting Period, Guishen Company which the Company indirectly holds 70% of its share, had successfully won the bid for the land of the Longli Project with an area of approximately 3,038 mu (approximately 2,030,000 square meters) in aggregate, in which the interests in approximately 1,610 mu had been transferred, and 1,075 mu was under secondary development, and the remaining land was under planning. The project being developed by Guishen Company is named as “Youshan Villa”. As at the end of the Reporting Period, the sell-through rates of the supporting commercial properties for Block B of Youshan Villa Phase II and the residential works of Block A of Phase III are both exceeded 85%; Block C of Phase III had been completed, and the supporting commercial properties of Block B of Phase III were under construction. During the Reporting Period, Guishen Company mainly worked on the sell-through of the remaining residential units in Block A of Phase III and the sale of the villas in Block C of Phase III.

(2) Meilin Checkpoint Renewal Project

United Land, which the Company holds 34.3% of its shares, principally engages in the investment, development and operation of the Meilin Checkpoint Renewal Project. The Meilin Checkpoint Renewal Project is developed in three phases. The residential units of Phase I Hefengxuan, Phase II Heyaxuan and Phase III Hesongxuan have been sold out. The project also includes a complex building of offices, commercial properties and business apartments with an area of approximately 190,000 square meters. As at the end of the Reporting Period, the sell-through rate of the business apartments was approximately 40%, and the offices and commercial properties had not been offered for sale.

Management Discussion and Analysis

(3) *Xintang Project*

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

The Xintang Project is the first land development project in which Bay Area Development participates, in which Bay Area Development indirectly holds 15% equity interests. The project involves the comprehensive development of approximately 196,000 square meters of traffic land in Xintang Town, Zengcheng District, Guangzhou. Its residential and supporting facility construction is planned to be implemented in three phases. As at the end of the Reporting Period, the physical shape progress of Phase I of the Xintang Project was approximately 95%, and the main structure of Phase II was under construction; the physical shape progress of the Xintang Interchange Reconstruction Project was 88%. For details of the Xintang Project, please refer to the Company's announcement dated 10 August 2021 and the interim report 2023 of Bay Area Development.

4. *Development and Management of Other Infrastructure*

Being the implementation department wholly-owned by the Group, the Investment Company is responsible for exploring wellness elderly care industry during the strategic period under the "14th Five-Year" Plan. The Investment Company has established a wholly-owned subsidiary, namely Gaoleyi, to serve as the industry platform for exploring the smart elderly care sector.

In 2021, the consortium led by the Investment Company successfully won the bid for three elderly care projects in Guangming District, Shenzhen. The Guangming Wellness Project comprises the Guangming Xincun Community Integrated Service Centre Pilot Project (光明新村社區綜合服務中心試點項目) and the Fenghuang Jiulongtai Community Integrated Service Centre Pilot Project (鳳凰玖龍台社區綜合服務中心試點項目) (collectively referred to as the "Two Guangming Community Projects"), as well as the Guangming District Social Welfare Home Project (光明區社會福利院項目). The concession cooperation period of the Guangming Wellness Project is 20.5 years (including a construction period of 0.5 year), in which the Two Guangming Community Projects are positioned as community embedded elderly care service complexes, and the Guangming District Social Welfare Home Project is positioned to provide high-quality elderly care services. In July 2022, the Two Guangming Community Projects were officially put into operation, providing comprehensive convenience services such as community canteens, childcare, elderly activities and public welfare services; the Guangming District Social Welfare Home Project was put into operation in April 2023. During the Reporting Period, the community comprehensive service centre under Gaoyile also won the bid for seven social service projects in Guangming and Fenghuang Sub-districts.

One Apartment Management Co., Ltd. (深圳市深高速壹家公寓管理有限公司), in which the Investment Company holds 60% equity interests, mainly engages in the long-term rental apartment business in Fuyong and Songgang, Shenzhen. As at the end of the Reporting Period, the rental rate of the Songgang Project was 97%, and that of the Fuyong Project was 89%.

(IV) Industry and Finance Integration

The Company holds approximately 3.44% equity interests of Bank of Guizhou (stock code: 06199.HK). For the business development of Bank of Guizhou, please refer to its interim report 2023.

Providing financial leasing services to the main businesses, and upstream and downstream businesses of the Group, the Financial Leasing Company is an important way for the Group to realise “industry and finance integration”, and the business collaboration strategy. During the Reporting Period, the Financial Leasing Company kept leveraging its financing services and collaborative expansion capabilities in the field of environmental protection with focus on serving the Group’s industry collaboration business. In addition, it actively explored market-oriented high-quality projects in the fields of transportation infrastructure and logistics. In the first half of 2023, the Financial Leasing Company signed new contract for financing leasing project of approximately RMB232 million. As at the end of the Reporting Period, the total amount of the signed contracts still performed by the Financial Leasing Company was RMB1,869 million, in which approximately RMB1,665 million had been disbursed.

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

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

Management Discussion and Analysis

(V) Other Businesses

As at the end of the Reporting Period, the Company held 22% equity interests in Yunji Intelligent (formerly known as the “Consulting Company”), whose business scope covers pre-consultation, survey and design, maintenance consulting, etc., and with the qualification and capability of providing consulting services throughout the process of project investment and construction.

The Group holds 51% equity interests in Digital Technology Company, which mainly engages in the information and digital businesses of transportation infrastructure, environmental protection and clean energy. During the Reporting Period, this company was implementing four internal information system construction projects within the Group and two external market projects. At the beginning of 2023, Yunji Intelligent successfully won the bid for the Bao’an District Existing Road BIM Modelling Project of the Bao’an Branch of the Shenzhen Transportation Bureau together with Digital Technology Company, with a contract amount of approximately RMB33.9849 million, marking a good beginning for Digital Technology Company to promote market-oriented digital business expansion in the field of transportation infrastructure in Shenzhen.

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

During the Reporting Period, the overall progress of the above businesses met the Group’s expectation. Due to limitations in scale or investment model, the revenue and profit contribution of these businesses currently account for a small proportion in the Group. For details of other businesses during the Reporting Period, please refer to the relevant contents of Notes \13, 14, 47, 54 and \55 to the Financial Statements in this report.

IV. Financial Analysis

In the first half of 2023, the Group recorded a net profit attributable to shareholders of the parent company (“net profit”) of RMB929,275,000 (2022 interim (restated): RMB848,712,000), representing a YOY increase of 9.49%, mainly due to the restorative growth of the traffic volume of the toll highways operated and invested by the Group, and the decrease in exchange losses related to foreign currency debts.

(I) Analysis of Main Businesses

1. Analysis of Changes in Related Items in Financial Statements

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year (Restated)	Change (%)
Revenue	4,124,880	4,094,094	0.75
Cost of services	2,480,614	2,501,187	-0.82
Selling expenses	11,826	17,357	-31.87
General and administrative expenses	182,666	193,280	-5.49
Financial expenses	664,489	718,156	-7.47
Research and development expenses	13,910	18,264	-23.84
Investment income	364,156	338,910	7.45
Income tax expenses	270,245	191,460	41.15
Net cash flows from operating activities	1,903,352	1,592,515	19.52
Net cash flows from investing activities	461,869	-2,621,719	N/A
Net cash flows from financing activities	-2,005,187	1,016,160	N/A

Reasons for changes in revenue: mainly due to the combined effect of the increase in revenue arising from the restorative growth of the traffic volume of the Group’s ancillary toll highways, and the YOY decrease in revenue recognition arising from the transfer of Wuhuang Expressway to the government without compensation after its the concession period expired in December of last year and the entrusted construction and management projects close to completion.

Management Discussion and Analysis

Reasons for changes in cost of services: mainly due to the combined effect of the corresponding increase in costs of the Group's ancillary toll highways with revenue, the transfer of Wuhuang Expressway to the government without compensation after its the concession period expired in December of last year, and the YOY decrease in the number of entrusted construction and management projects.

Reasons for changes in selling expenses: mainly due to the streamlining of selling staff and expenses in the environmental protection sector, and reduced expenditure of Guilong Development Project on sales planning and publicity.

Reasons for changes in general and administrative expenses: the decrease in labour costs due to the optimising of management models in the environmental protection sector.

Reasons for changes in financial expenses: mainly due to the combined effect of the increase in interest expenses resulting from the rise in the interest rates of foreign currency loan arising from the increase in overseas Hibor interest rates; interest income decreased with declining cash on hand; the decrease in foreign exchange losses as a result of the lower depreciation of RMB in the current period than the same period of last year, etc.

Reasons for changes in research and development expenses: mainly due to the decrease in research and development investment of Nanjing Wind Power, and the decrease in depreciation amortisation of Bioland with the expiry of the amortisation periods of some patents.

Reasons for changes in net cash flows from operating activities: mainly due to the YOY increase in revenue from the ancillary toll highways.

Reasons for changes in net cash flows from investing activities: mainly due to the recovery of investments in wealth management products in the current period and the payment of the consideration for the acquisition of equity interests in SIICHIC in the same period of last year.

Reasons for changes in net cash flows from financing activities: mainly due to the YOY decrease in net inflow of borrowings in the current period and the earlier payment of dividends in the current period than the same period of last year.

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

2. Revenue and Cost Analysis

(1) Reasons for Change in Revenue:

During the Reporting Period, the Group recorded revenue of RMB4,124,880,000 (2022 interim: RMB4,094,094,000), representing a YOY increase of 0.75%, mainly due to the combined effect of the revenue growth arising from the restorative growth of the traffic volume of the ancillary toll highways, and the YOY decrease in revenue recognition arising from the transfer of Wuhuang Expressway to the government without compensation after its concession period of expiry in December of last year and the entrusted construction and management projects close to completion. After deduction of the impact of Wuhuang Expressway in the same period of last year, the Group's operating revenue recorded a YOY increase of 5.80%, of which toll revenue recorded a YOY increase of 17.34%. The detailed analysis is as follows:

Unit: '000 Currency: RMB

Revenue item	Amount for the current period	Proportion (%)	Amount for the corresponding period of last year	Proportion (%)	YOY change (%)	Description
Revenue from main business – toll highways	2,598,948	63.01	2,410,155	58.87	7.83	①
Revenue from main business – clean energy power generation	347,536	8.43	357,426	8.73	-2.77	②
Revenue from main business – solid waste treatment– kitchen waste treatment	282,309	6.84	298,863	7.30	-5.54	③
Revenue from main business – solid waste treatment– vehicle dismantling and comprehensive battery utilisation	112,383	2.72	152,115	3.72	-26.12	④
Revenue from main business – other environmental protection business	10,180	0.25	27,805	0.68	-63.39	⑤
Revenue from other businesses – entrusted construction and management	184,806	4.48	413,473	10.10	-55.30	⑥
Revenue from other businesses – real estate development	14,103	0.34	25,235	0.62	-44.11	⑦
Revenue from other businesses – revenue from construction services under concession arrangements	403,765	9.79	250,104	6.11	61.44	⑧
Revenue from other businesses – other businesses	170,849	4.14	158,918	3.87	7.51	⑨
Total revenue	4,124,880	100.00	4,094,094	100.00	0.75	

Description:

- ① The revenue from toll highways increased by 7.83%, mainly due to the combined effect of the restorative growth of the traffic volume of the ancillary toll highways and the decrease in revenue as the expiry of the concession period of Wuhuang Expressway in December of last year. After deduction of the impact of Wuhuang Expressway in the same period of last year, the toll revenue from the Group's ancillary toll highways increased by 17.34% YOY on the same basis.

Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Discussion and Analysis of Operations" above. Breakdown of revenue by specific items is set out in "Breakdown of Main Business by Industry, Product and Region" below.

Management Discussion and Analysis

- ② The revenue from clean energy power generation recorded a YOY decrease of 2.77%, mainly due to the YOY decrease in wind power generation revenue of Xinjiang Mulei due to limited wind resources in the current period.
- ③ The revenue from kitchen waste treatment includes revenues from project construction, operation and equipment sales. It recorded a YOY decrease of 5.54%, mainly due to the decrease in construction revenue and equipment sales revenue related to the kitchen waste treatment projects of Bioland.
- ④ The revenue from vehicle dismantling and comprehensive battery utilisation decreased by 26.12%, mainly due to the impact of the decline in raw material prices in the lithium battery industry on Shenshan Qiantai, resulting in a decrease in revenue related to comprehensive battery utilisation.
- ⑤ Revenue from other environmental protection business decreased by 63.39%, mainly due to the decrease in sales revenue of wind turbines of Nanjing Wind Power during the Reporting Period.
- ⑥ The revenue from entrusted construction and management decreased by 55.30%, mainly due to the completion of Longli River Bridge Project and Bimeng Project, resulting in a YOY decrease in recognised revenue from entrusted construction and management.
- ⑦ The revenue of real estate development recorded a YOY decrease of 44.11%, mainly due to the decrease in the delivered units of Guilong Development Project in the current period.
- ⑧ The Company recognised the revenue from kitchen waste treatment and construction services provided for concession arrangements under projects such as Coastal Phase II, Jihe Expressway reconstruction and expansion, and Guangming Environmental Park pursuant to the Interpretation of Accounting Standards for Business Enterprises (No.14). The construction quantity implemented in the current period is higher than those of last year, and the construction service revenue recognised based on progress records a YOY increase.
- ⑨ The revenue from other businesses increased by 7.51%, mainly due to the business growth of Asphalt Technology Company.

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

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highways	2,598,948	1,219,675	53.07	7.83	-3.25	Increase by 5.37 pct. pt

Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Outer Ring Expressway	568,407	173,535	69.47	29.00	-14.60	Increase by 15.59 pct. pt
Jihe East	329,412	135,508	58.86	9.33	-0.49	Increase by 4.06 pct. pt
Jihe West	264,109	57,095	78.38	19.85	8.73	Increase by 2.21 pct. pt
Coastal Expressway	296,297	154,594	47.82	29.35	19.90	Increase by 4.11 pct. pt
Yichang Expressway	214,507	79,306	63.03	9.97	-24.19	Increase by 16.66 pct. pt

Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	2,440,677	1,285,720	47.32	17.31	9.64	Increase by 3.69 pct. pt

Note: The breakdown of main business by Industry, Product and Region only list the products and regions of main business that account for more than 10% of the Company's revenue or operating profit.

Description:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 53.07%, representing a YOY increase of 5.37 percentage points, mainly due to the increase in toll revenue arising from the restorative growth of the traffic volume of the Group's ancillary toll highways. Among them, the gross profit margin of Outer Ring Expressway grew significantly, mainly due to the higher revenue growth in the current period and the reduction of the unit amortisation of its concession intangible assets from 1 January 2023; the gross profit margin rate of Yichang Expressway grew significantly, mainly due to the increase in toll revenue and the reduction of related costs in the current period; the gross profit margin of Qinglian Expressway decreased, mainly due to the increase in unit amortisation of its concession intangible assets since 1 January 2023.

Management Discussion and Analysis

(3) Reasons for Change in Cost of Services:

During the Reporting Period, the cost of services of the Group amounted to RMB2,480,614,000 (2022 interim: RMB2,501,187,000), representing a YOY decrease of 0.82%, mainly due to the expiry of the concession period of Wuhuang Expressway in December of last year, and the decrease in costs arising from the decrease in construction quantity of the entrusted construction and management projects. Excluding the impact of Wuhuang Expressway for the same period of last year, the Group's operating costs were basically flat YOY. The detailed analysis of cost of services is set out as follows:

Unit: '000 Currency: RMB

Breakdown by industry							
Industry	Cost item	Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	YOY change (%)	Description
Cost of main business – toll highways	Employee expenses	215,548	8.69	207,108	8.28	4.08	①
	Road maintenance expenses	97,658	3.94	100,301	4.01	-2.64	
	Depreciation and amortisation	863,510	34.81	831,676	33.25	3.83	②
	Other business costs	42,959	1.73	121,504	4.86	-64.64	③
	Subtotal	1,219,675	49.17	1,260,589	50.40	-3.25	
Cost of main business – clean energy power generation		128,623	5.19	129,017	5.16	-0.31	
Cost of main business – solid waste treatment – kitchen waste treatment		305,826	12.33	263,824	10.55	15.92	④
Cost of main business – solid waste treatment – vehicle dismantling and comprehensive battery utilisation		121,704	4.91	150,192	6.00	-18.97	⑤
Cost of main business – other environmental protection businesses		14,692	0.59	23,325	0.93	-37.01	⑥
Cost of main business – entrusted construction and management		172,438	6.95	333,155	13.32	-48.24	⑦
Cost of main business – real estate development		12,146	0.49	14,875	0.59	-18.35	⑧
Cost of main business – costs of construction services under concession arrangements		403,765	16.28	250,104	10.00	61.44	⑨
Other business costs – other businesses		101,745	4.10	76,106	3.04	33.69	⑩
Total cost of services		2,480,614	100.00	2,501,187	100.00	-0.82	

Description:

- ① Mainly due to the increased number of employees in the toll collection division of the ancillary toll highways due to the increase in traffic volume, resulting in an increase in labour costs.
- ② Mainly due to the combined effect of the increase in amortisation amount of concession intangible assets with traffic volume, the expiry of the concession period of Wuhuang Expressway in December of last year, and the adjustment of unit amortisation for Outer Ring and Qinglian Expressways.

- ③ Mainly due to the expiry of the concession of Wuhuang Expressway in December of last year and the decrease in related costs for Yichang Company.
- ④ Kitchen waste treatment costs include costs from project construction, operation and equipment sales. The increase in kitchen waste treatment costs by 15.92% YOY was mainly due to the consolidation of Lisai Environmental at the end of April last year, which resulted in a corresponding increase in costs during the Reporting Period.
- ⑤ Mainly due to the business volume decrease of Shenshan Qiantai.
- ⑥ Mainly due to the decrease in sales of wind power equipment during the Reporting Period.
- ⑦ Mainly due to the YOY decrease in construction quantity of projects such as Longli River Bridge Project and Bimeng Project.
- ⑧ Mainly due to the YOY decrease in the number of delivered units of Guilong Development Project, and the corresponding decrease in real estate development costs carried forward
- ⑨ During the Reporting Period, the Group recognised costs from kitchen waste treatment and construction services provided for concession arrangements under projects such as Coastal Phase II, Jihe Expressway reconstruction and expansion, and Guangming Environmental Park pursuant to the Interpretation of Accounting Standards for Business Enterprises (No. 14). The construction quantity implemented in the current period is higher than that of last year, and the construction service costs recognised based on progress record a YOY increase.
- ⑩ Mainly due to the increase in business volume of Asphalt Technology Company in the current period.

(4) *Main Sales Customers and Suppliers*

A. Main sales customers of the Company

Given the nature of the Group's business, the target customers of toll highways are not specific. Apart from toll revenue, the total revenue from the top 5 customers of the Group amounted to RMB580,610,000, accounting for 14.08% of the overall revenue of the Group, of which none was sales from related parties.

B. Main suppliers of the Company

The purchases from the Group's top 5 suppliers amounted to RMB672,570,000, accounting for 32.21% of the total purchases of the Group for the current period, of which none was purchased from related parties.

3. Expenses

Reasons for Change in Selling Expenses:

During the Reporting Period, the Group's sales expenses amounted to RMB11,826,000 (2022 interim: RMB17,357,000), representing a YOY decrease of 31.87%, mainly due to streamlining of management personnel and expenses in the environmental protection sector, and reduced expenditure of Guilong Development Project on sales planning and publicity.

Management Discussion and Analysis

Reasons for Change in General and Administrative Expenses:

During the Reporting Period, the Group's general and administrative expenses amounted to RMB182,666,000 (2022 interim: RMB193,280,000), representing a YOY decrease of 5.49%, mainly due to the reduction in labor costs due to the optimisation of the management model in the environmental protection sector.

Reasons for Change in Financial Expense:

During the Reporting Period, the Group's financial expenses amounted to RMB664,489,000 (2022 interim: RMB718,156,000), representing a YOY decrease of 7.47%, mainly due to the combined effect of the increase in interest expenses resulting from the rise in the interest rates of foreign currency loan arising from the increase in overseas HIBOR interest rates; interest income decreased with declining cash on hand; the decrease in foreign exchange losses as a result of the lower depreciation of the renminbi in the current period than the same period of last year, etc. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Interest expenses	592,157	576,712	2.68
Less: Interest capitalised	3,680	12,711	-71.05
Interest income	34,123	96,421	-64.61
Add: Exchange loss	104,086	247,870	-58.01
Others	6,049	2,707	123.46
Total financial expenses	664,489	718,156	-7.47

Reasons for changes in research and development expenses:

During the Reporting Period, the Group's research and development expenses amounted to RMB13,910,000 (2022 interim: RMB18,264,000), representing a YOY decrease of 23.84%, mainly due to the decrease in research and development investment of Nanjing Wind Power, and the decrease in depreciation amortisation of Bioland with the expiry of the amortisation periods of some patents.

4. *Investment Income*

During the Reporting Period, the Group's investment income amounted to RMB364,156,000 (2022 interim: RMB338,910,000), representing a YOY increase of 7.45%, mainly due to the general restorative growth of toll revenue from jointly operated highways funded by the Group in the current period and an increase in income from wealth management products. The detailed analysis is as follows:

Unit: '000 Currency: RMB

Project	Amount for the current period	Amount for the corresponding period of last year	Change in amount
1. Investment income attributable to associate/joint ventures:			
Associated/joint toll highway enterprises in total	149,833	130,275	19,558
United Land	-235	17,345	-17,580
Derun Environment	111,405	126,571	-15,166
Others ^{Note}	80,365	55,519	24,846
Subtotal	341,368	329,710	11,657
2. Investment income from disposal of long-term equity investments	1,160	-	1,160
3. Investment income from other non-current financial assets	9,555	9,199	273
4. Wealth management products	11,868	-	11,868
5. Others	206	-	288
Total	364,156	338,910	25,246

Note: Others are attributable to the investment income in Yunji Intelligent, Bank of Guizhou, Shengchuang Fund, Guizhou Hengtongli, Huai'an Zhongheng, Fengrunjiu and Fenghe Energy, etc.

5. *Reasons for Change in Income Tax Expenses:*

During the Reporting Period, the Group's income tax expenses amounted to RMB270,245,000 (2022 interim (restated): RMB191,460,000), representing a YOY increase of 41.15%, mainly due to the increase in revenue and profits from the ancillary toll highways, resulting in a corresponding increase in taxable income; in addition, according to the national corporate income tax policy, Outer Ring Expressway will be exempted from corporate income tax from 2020 to 2022, and will be subject to a 50% reduction from 2023 to 2025, so the corporate income tax increased in the current period.

Management Discussion and Analysis

6. Cash Flows

Descriptions on the reasons for changes in net cash flows from operating activities: During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB1,903,352,000 (2022 interim: RMB1,592,515,000), representing a YOY increase of RMB310,837,000, mainly due to the increase in toll revenue from the ancillary toll highways and the recovery of electricity sales subsidies totalling approximately RMB130 million from the five wind farms of Baotou Nanfeng in previous years. In addition, the recurring cash return^{Note} on investment in jointly operated toll highway projects invested by the Company during the Reporting Period amounted to RMB258,801,000 (2022 interim: RMB77,540,000), representing a YOY increase of RMB181,261,000, mainly due to the receipt of dividends from Guangshenzhu Company in the current period, which was not received in the same period of last year.

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

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the Group's net cash outflows from investing activities amounted to RMB461,869,000 (2022 interim: RMB-2,621,719,000), representing a YOY increase of RMB3,083,588,000, mainly due to the recovery of investments in wealth management products in the current period and the payment of the consideration for the acquisition of equity interests in SIICHIC in the same period of last year.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash inflows from financing activities recorded a YOY increase of approximately RMB3.021 billion, mainly due to the YOY decrease in net inflow of borrowings in the current period and the earlier payment of dividends in the current period than the same period of last year.

7. Amortisation Policies of Concession Intangible Assets for Toll Highways and Differences of Different Amortisation Methods

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

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is generally lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation calculated using the two amortisation methods based on the Company's share of equity interests was RMB119 million (2022 interim: RMB300 million). The adoption of different amortisation methods had no impact on the cash flows from toll highway projects, and thus no impact on the valuation level of each project.

(II) Analysis of Assets and Liabilities

1. Assets and Liabilities

As at 30 June 2023, the Group's total assets amounted to RMB68,161,616,000 (31 December 2022 (restated): RMB69,204,698,000), representing a decrease of 1.51% compared to the end of 2022. As at 30 June 2023, the Group's total outstanding interest-bearing liabilities amounted to RMB33,247,088,000 (31 December 2022: RMB33,330,545,000), representing a decrease of approximately 0.25%, as compared with the end of 2022, mainly due to the repayment of loans during the Reporting Period. In the first half of 2023, the Group's average borrowing scale was RMB33.1 billion (2022 interim: RMB32.1 billion), representing a YOY increase of approximately 3.12%.

The detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of last year	Amount as at the end of last year as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of last year (%)	Description
Transactional financial assets	210,804	0.31	1,112,244	1.61	-81.05	①
Bills receivable	700	0.00	3,500	0.01	-80.00	②
Other receivable	748,425	1.10	1,121,629	1.62	-33.27	③
Prepayments	299,137	0.44	225,509	0.33	32.65	④
Other current assets	471,811	0.69	257,806	0.37	83.01	⑤
Transactional financial liabilities	87,724	0.13	133,009	0.19	-34.05	⑥
Contract liabilities	102,681	0.15	30,333	0.04	238.51	⑦
Employee benefits payable	240,006	0.35	363,794	0.53	-34.03	⑧

Descriptions of assets and liabilities:

- ① Recovery of investments in wealth management products.
- ② Bills receivable were cashed upon maturity.
- ③ Dividends and loans received from associates.
- ④ Increase in prepayments for purchase of materials.
- ⑤ Payment for purchase of large-denomination certificates of deposit.
- ⑥ The fair value of compensation obligation for the difference in the acquisition of SIICHIC increased.
- ⑦ Increase in amount from pre-sold units in Guilong Development Project.
- ⑧ Payment of performance bonuses for 2022 to employees.

Management Discussion and Analysis

2. Overseas Assets

(1) Size of assets

Including: overseas assets of RMB463,011,000, accounting for 0.68% of the total assets. Overseas assets mainly consist of part of the H shares of Bank of Guizhou held by Mei Wah Company, a wholly-owned overseas subsidiary of the Company, and the bank deposits of Mei Wah Company and its subsidiaries placed abroad, which account for a small proportion of the Company's total assets.

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

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

Restriction on the assets involved with the balance of secured loans as at the end of the Reporting Period					
Assets	Type	Beneficiary of security	Scope of security	Balance of secured loans as at the end of the Reporting Period (100 million)	Term
Toll collection rights of Qinglian Expressway	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB2.889 billion	25.01	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of syndicated loans in an aggregate amount of HKD350 million	HKD0.61	Until repayment of all liabilities under the loan agreement
Toll collection right of Coastal Expressway	Pledge	China Development Bank Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB1 billion	0.3	Until repayment of all liabilities under the loan agreement
Toll collection rights of Shuiguan Expressway	Pledge	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB600 million	3.11	Until repayment of all liabilities under the loan agreement
Equity interests, franchise rights, accounts receivable and production equipment, among other assets, of various subsidiaries of Bioland	Pledge, mortgage	Various banks and financial leasing companies	The scope of security covers principal and interests of bank loans and financial leases for various projects in an aggregate amount of RMB1.047 billion	6.74	Certain periods after the repayment of liabilities
100% equity interests in Qianzhi, Qianhui and Qianxin	Pledge	ICBC Shenzhen Futian Sub-branch	Principal and interests of loans for acquisition in an aggregate amount of not more than RMB609 million	2.2	Until repayment of all liabilities under the loan agreement
Land use right of Shenshan Qiantai	Mortgage	Shanghai Pudong Development Bank Shenzhen Branch	Principal and interests of working capital loans in an aggregate amount of RMB150 million	1.48	Until repayment of all liabilities under the loan agreement
A pledge was provided for accounts receiving arising from the sale of products and the rendering of services by Shenshan Qiantai	Pledge	Bank of China Limited Shenzhen Central District Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB50 million, and principal and interests of working capital loans in an aggregate amount of RMB100 million	1.02	Until repayment of all liabilities under the loan agreement
Accounts receivable accruing under franchise rights of Guangming Company and Lisai Environmental	Pledge	Bank of China Limited Shenzhen Central District Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB820 million	0.73	Until repayment of all liabilities under the loan agreement
Rentals receivable under 11 projects (Shanxi Nuohui, etc.) of Financial Leasing Company	Pledge	3 banks, including Bank of China Limited Shenzhen Central District Branch	Discounted principal and interests of working capital loans, commercial acceptance bills and banker's acceptance bills with an aggregate amount of RMB344 million	3.25	Until repayment of all liabilities under the loan agreement
Tariff collection right of Yongcheng Zhuneng Project	Pledge	Agricultural Bank of China Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB185 million	1.74	Until repayment of all liabilities under the loan agreement
Pledge on tariff collection right of the Xinjiang Mulei Project	Pledge	China Construction Bank Urumqi Branch	Principal and interests of project loan in an amount of RMB1.418 billion	14.04	Until repayment of all liabilities under the loan agreement
Pledge on tariff collection right of the Lingxiang Project	Pledge	China Merchants Bank Baotou Branch	Principal and interests of project loan in an amount of RMB227 million	2.17	Until repayment of all liabilities under the loan agreement
Pledge on some accounts receivable of Nanjing Wind Power	Pledge	China Construction Bank Nanjing Chengnan Sub-branch, HSBC	Principal and interests of working capital loans in an aggregate amount of RMB140 million	1.40	Until repayment of all liabilities under the loan agreement
Pledge of 88.64% equity interests in SIICHIC	Pledge	3 banks, including Industrial and Commercial Bank of China, and China Merchants Bank	Principal and interests of fixed asset loans with an aggregate amount of HKD8.3 billion	HKD78.18	Until repayment of all liabilities under the loan agreement

Restriction on the assets involved with the balance of un-secured loans as at the end of the Reporting Period				
Assets	Type	Beneficiary of security	Scope of security	Note
Pledge on tariff collection right on the four wind farms of Damaoqi	Pledge	Agricultural Bank of China Shenzhen Branch	Principal and interests of project loans with an aggregate amount of RMB954 million	As at the end of the Reporting Period, the Company has not made any drawdown of the project loan.

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

Type of restricted capital	Amount subject to restrictions (100 million)
Funds in special deposit accounts for entrusted construction and management projects	2.09
Consideration for acquisition of equity interests under supervision	2.13
Deposit	0.31
Fund frozen due to litigation	1.56
Total	6.09

Details of restriction of assets:

- ① Details of the restrictions on the Group's major assets as at the end of the Reporting Period are set out in Note V63 to the Financial Statements in this report.

4. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, due to the combined effect of increased capital expenditure, the distribution of dividends for 2022, and accumulated operating profits, the Group's debt-to-asset ratio, net borrowings-to-equity ratio net borrowings/EBITDA were basically unchanged compared to the end of last year. During the Reporting Period, due to the increase in foreign currency borrowing rates, the Group's interest expenses increased to a certain extent compared to the same period of last year; due to the YOY growth of the Group's profitability during the Reporting Period, the interest covered multiple and EBITDA interest multiple increased slightly year on year. Given the Group's stable and robust operating cash flows, and strong capabilities in financing and capital management, the Board is of the view that the financial leverage ratios remained at a safe level at the end of the Reporting Period.

Key indicators	Amount as at the end of the current period	Amount as at the end of last year (restated)
Debt-to-asset ratio (Total liabilities/Total assets)	60.78%	60.46%
Net borrowings-to-equity ratio ((Total borrowings – Cash and cash equivalents)/Total equity)	111.01%	110.12%

	Amount for the current period	Amount for the corresponding period of last year
Net borrowing/EBITDA ((Total borrowings – Cash and cash equivalents)/ Earnings before interests, tax, depreciation and amortisation)	10.21	10.42
Interest covered multiple ((Profit before tax + Interest expenses)/Interest expenses)	3.07	2.94
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	5.02	4.90

Management Discussion and Analysis

5. Liquidity and Cash Management

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

Unit: million Currency: RMB

	Amount as at the end of the current period	Amount as at the end of last year	Change in amount
Net current assets	-14,594	-13,946	-648
Cash and cash equivalents	3,563	5,507	-1,944
Banking facilities available	32,659	30,462	2,197
Unused bond registration amount	11,100	7,100	4,000

6. Capital Expenditure Plan

As of the date of approval of this report, the capital expenditures approved by the Board of the Group mainly included the construction expenditures for Outer Ring Project, Coastal Phase II, kitchen waste projects of Bioland, Guangming Environmental Park Project and other projects, as well as equity investment expenditure for the acquisition of SIICHIC, etc. It is estimated that by the end of 2025, the total capital expenditure approved by the Board of the Group will be approximately RMB9.279 billion. The Group plans to use its own funds and bank loans to meet its funding needs. The Group's financial resources and financing capacity are currently adequate to meet various capital expenditure needs.

The Group's capital expenditure plans from the second half of 2023 to 2025 approved by the Board are as follows:

Unit: '000 Currency: RMB

Name of item	Second half of 2023	2024	2025	Total
I. Investments in Intangible and Fixed Assets				
Outer Ring Project (Phases I, II & III)	940,060	1,450,000	2,060,000	4,450,060
Coastal Phase II	272,366	276,609	–	548,975
Jihe Expressway Reconstruction and Expansion	181,858	748,200	–	930,058
Preliminary expenses of Shenshan Second Expressway	970	13,278	20,000	34,248
Kitchen waste projects of Bioland	321,488	52,720	57	374,265
Guangming Environmental Park Project	206,163	106,214	108,386	420,763
Shaoyang Project	160,000	–	–	160,000
Lisai Environmental Technological Renovation Project	17,747	3,258	–	21,005
Balance of renovation of the office property in 35th-48th floors of Hankang Centre	–	3,553	–	3,553
Reinforcement pavement structure of Changsha Ring Road	9,453	–	–	9,453
Preliminary expenses of Pingshan County Photovoltaic Project	15,000	–	–	15,000
II. Equity investment				
Acquisition of Bay Area Development	2,305,138	–	–	2,305,138
Acquisition of Lisai Environmental	6,475	–	–	6,475
Total	4,436,718	2,653,832	2,188,443	9,278,993

Note 1: The capital expenditure of the Bay Area Development Acquisition Project includes the relevant liabilities incurred due for repayment.

Note 2: In addition, the investment and financing modes of projects such as Jihe Expressway reconstruction and expansion, and Shenshan Second Expressway are not determined yet.

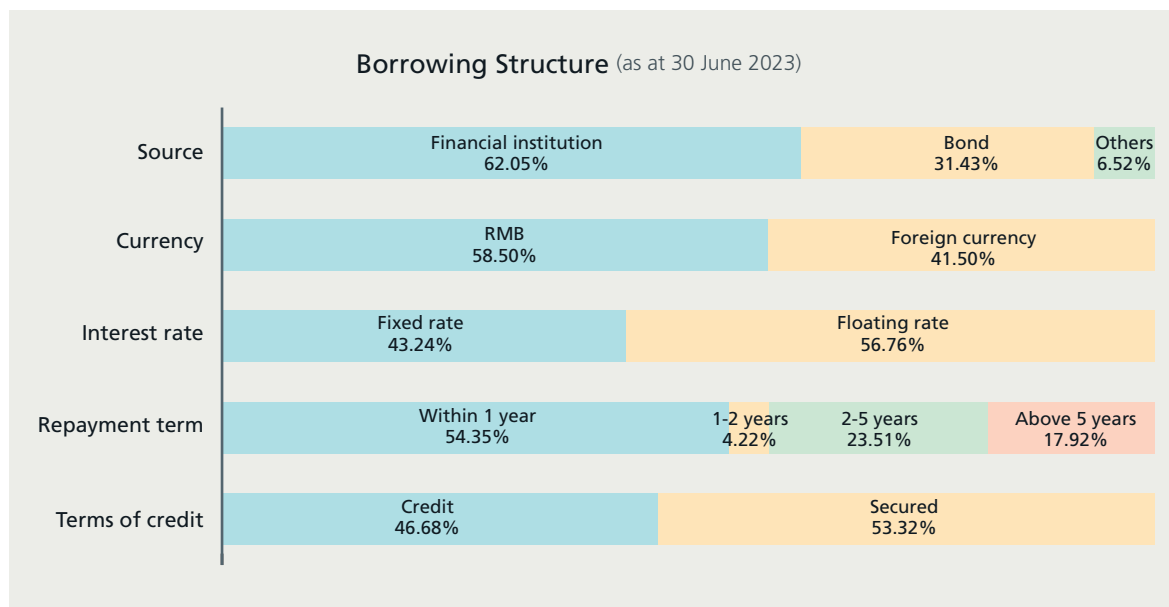
7. Financial Strategies and Financing Arrangements

During the Reporting Period, the liquidity of the capital market remained reasonable and sufficient, and the interest rate of foreign currency loans increased due to factors such as the rising interest rate of Hibor overseas. Based on the demand for operating expenses and the progress of project investment, the Group used its self-owned funds, bank loans, proceeds from bonds, etc. to meet capital needs. Leveraging favourable market opportunities, the Group issued financing bond instruments such as medium-term bonds and ultra-short-term financing bills (FIP) for debt replacement and working capital replenishment, and also grasped the occasion of interest rate decline to strive for bank loans with more preferential terms through communication in order to further lower financial costs. In view of internal and external liquidity conditions, the Company's operation, financial position and capital expenditure plan, the Company will adjust its financial strategies in a timely manner to optimise the debt structure.

During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

Management Discussion and Analysis

As at the end of the Reporting Period, the specific borrowing structure was as follows:



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

As of 30 June 2023, the Group had obtained banking facilities totalling approximately RMB59.095 billion. As at the end of the Reporting Period, unused banking facilities amounted to approximately RMB32.659 billion, and the Group's bond limit was RMB13.6 billion, in which RMB11.1 billion was unused as at the end of the Reporting Period.

The Company has sufficient reserves for medium to long-term RMB loans and will replace short-term foreign currency loans in a timely manner depending on the exchange rate situation.

8. Contingencies

Details of the Group's contingent liabilities during the Reporting Period are set out in Note XI to the Financial Statements in this report.

(III) Analysis of Investments

1. External Equity Investments

(1) Material Equity Investments

Applicable Not Applicable

(2) *Material Non-equity Investments*

During the Reporting Period, the Group's expenditures on material non-equity investments mainly comprised the expenditures for the construction of Outer Ring Expressway, Guangming Environmental Park, Coastal Phase II, etc., totalling approximately RMB777 million. The Company met the relevant investment expenditure through a combination of self-owned funds and debt financing. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Name of item	Project amount	Project progress	Amount invested during the Reporting Period	Accumulated amount invested	Project income
Outer Ring Project (Phases I, II & III)	14,947,036	59.79%	89,427	6,034,252	For the operation of Outer Ring Project (Phase I & II), please refer to the analysis of main business for Outer Ring Project above. The other construction projects are still under construction.
Coastal Phase II	1,000,000	85%	142,541	519,470	
Early stage of Jihe Expressway Reconstruction and Expansion	4,494,000	–	218,827	1,369,838	
Various kitchen waste projects of Bioland	–	–	25,445	1,278,752	
Guangming Environmental Park Project	958,100	83.26%	131,042	488,530	
Shaoyang Kitchen Waste Project	320,000	–	–	160,000	
Total	–	–	607,283	9,850,841	–

(3) *Financial Assets at Fair Value*

Unit: '000 Currency: RMB

Asset class	Opening balance	Gains and losses from changes in fair value in the current period	Accumulated changes in fair value included in equity	Provision for impairment in the current period	Purchase amount in the current period	Sales/redemption amount in the current period	Other changes	Closing balance	Notes
Others	763,265	100,429	–	–	1,200	–	–	864,894	(1)
Others	901,440	–	–	–	–	-901,440	–	–	(2)
Others	210,804	–	–	–	–	–	–	210,804	(3)
Total	1,875,509	100,429	–	–	1,200	-901,440	–	1,075,698	

Notes:

- (1) Mainly due to changes in fair value of equity interests such as Shenzhen Water Planning, Unitoll Services, and State-owned Assets Collaborative Development Fund;
- (2) Mainly being investments in wealth management products;
- (3) Mainly being the compensation receivable for performance commitment;
- (4) For details of the financial assets/liabilities measured at fair value, please refer to Note IX.1 to the Financial Statements in this Report.

Management Discussion and Analysis

(IV) Disposal of Material Assets and Equity Interests

Applicable

Not Applicable

(V) Analysis of Major Controlling Companies and Participating Companies

1. Analysis of Major Controlling and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	30 June 2023		2023 Interim			Major business
			Total assets	Net assets	Revenue	Operating profit	Net profit	
Outer Ring Company	100%	6,500,000	8,456,542	7,443,782	627,614	417,911	358,638	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway
Qinglian Company	76.37%	3,361,000	5,872,815	3,073,542	347,687	63,372	51,877	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
Qinglong Company	50%	324,000	1,674,439	1,073,210	307,990	37,000	28,579	Development, construction, toll collection and management of Shuiguan Expressway
Yichang Company	100%	345,000	2,296,507	1,223,214	214,982	132,103	107,359	Construction, operation and management of Yichang Expressway
Shenchang Company	51%	200,000	549,888	371,540	129,115	88,901	66,668	Development, construction, toll collection and management of the northwest section of Changsha Ring Expressway
Investment Company	100%	400,000	3,136,863	1,474,038	55,872	-20,374	-20,902	Investment in industry and engineering construction
Bioland	92.29%	505,439	4,218,063	2,392,944	239,302	-87,625	-92,282	Research and development of organic waste treatment technology with focus on kitchen waste, manufacturing of core equipment, investments in construction, operation and maintenance, etc.
New Energy Company	100%	2,251,990	5,975,700	2,893,454	347,536	175,639	157,844	Investment and operation of wind power projects
SIICHIC	100%	USD50	16,952,232	-537,438	451,824	-22,884	-126,600	SIICHIC directly holds 71.83% of equity interests in Bay Area Development, which mainly holds equity interests in Guangzhou-Zhuhai West Expressway, GS Expressway and Zhentong Industrial.
Derun Environment	20%	1,000,000	64,050,244	18,548,260	6,705,801	1,540,540	557,023	Derun Environment is a comprehensive environmental enterprise with two subsidiaries listed on the main board of A shares including Chongqing Water (50.04% equity interests) and Sanfeng Environment (43.86% equity interests). The main businesses of these companies include water supply and sewage treatment, and investment, construction, integrated equipment and operation management of waste incineration power generation projects, as well as environmental remediation.

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

Note 2: The relevant data is consolidated, and has been adjusted for factors such as premium amortisation.

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

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

Note 5: Bioland recorded a loss during the Reporting Period, mainly due to construction progress, equipment sales, and kitchen waste collection and disposal volume during the year were lower than expected, and when some projects were transferred to commercial operation, their loan interests and depreciation amortisation were transferred to cost expenses.

Note 6: The Investment Company recorded a loss during the Reporting Period, mainly due to the entrusted construction and management projects close to completion, a reduced construction quantity, and the decrease in the number of delivered units in the real estate development project during the current year.

2. Analysis of major controlling and participating companies whose net profit or investment income has an impact of 10% or more on the net profit attributable to owners of the Company during the Reporting Period

Unit: '000 Currency: RMB

Company name	Shareholding (controlling/participating) by the Group	Net profit/investment income during the Reporting Period	Proportion of net profit/investment income to the net profit attributable to owners of the Company during the Reporting Period	Amount of revenue from main businesses during the Reporting Period	Amount of costs of main businesses during the Reporting Period	Profits from main businesses during the Reporting Period
Outer Ring Company	Wholly-owned subsidiary of the Company	358,638	38.59%	568,407	173,535	394,872
New Energy Company	Wholly-owned subsidiary of the Company	157,844	16.99%	347,536	130,661	216,875
Yichang Company	Wholly-owned subsidiary of the Company	107,359	11.55%	214,507	78,858	135,649
Coastal Company	Wholly-owned subsidiary of the Company	103,684	11.16%	296,297	154,093	142,204
Derun Environment	Associate owned as to 20% by the Company	111,405	11.99%	6,705,801	4,442,972	2,262,829

3. Acquisition and Disposal of Subsidiaries during the Reporting Period

- (1) During the Reporting Period, the subsidiaries acquired by the Group through new establishment are Shenzhen Expressway Shengneng Technology Co., Ltd., Shenzhen Jinshen New Energy Co., Ltd., Guizhou Ziyun Jinshen New Energy Co., Ltd., Xingren Yuansheng New Energy Co., Ltd., and Duyun Jinxin New Energy Co., Ltd.
- (2) During the Reporting Period, Shenzhen Expressway Advertising Co., Ltd., Harbin Lingfeng New Energy Co., Ltd. and Shenzhen Expressway Shenzhen Expressway SUEZ Environment Co., Ltd. were dissolved.
- (3) Details of the scope of consolidation are set out in Note VI to the Financial Statements in this report.

Management Discussion and Analysis

(VI) Changes in Accounting Estimates

1. *Impacts of changes in accounting estimates*

According to the requirements of the Company's relevant accounting policies and systems, and based on the actual situation of the major toll highway, the Group has changed the relevant accounting estimates for the amortisation of concession intangible assets for Outer Ring Phases I and II since 1 January 2023. This accounting estimate change has reduced the total amortisation of the Group's concession intangible assets in the Reporting Period by approximately RMB60,682,000, and increased the net profit attributable to owners of the Company in the Reporting Period by approximately RMB45,511,000. Overall, there has been no significant impact on the financial condition and operating performance of the Group.

This accounting estimate change has been considered and approved at the 31st meeting of the 9th session of the Board of the Company. For details, please refer to Note III\32(2) to the Financial Statements in this report, and the relevant announcement of the Company dated 27 April 2023.

(VII) Proposals of Profit Distribution or Conversion of Capital Reserve into Share Capital

1. *Interim Profit Distribution Proposal for 2023*

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022 interim: nil), nor does it recommend any conversion of capital reserve into share capital.

2. *Implementation of the Annual Profit Distribution Proposal for 2022*

As considered and approved by the 2022 annual general meeting, the Company distributed a final dividend of RMB0.462 per share (tax inclusive) in cash to all shareholders for 2022, based on the total share capital of 2,180,770,326 shares at the end of 2022, with an aggregate amount of RMB1,007,515,890.61. The profit distribution proposal has been completely implemented by 14 July 2023.

V. Outlook and Plans

In the first half of 2023, under the pressure of global economic downturn, the Chinese economy maintained a stable growth trend. There was no significant change in the Group's external policies and operating environment, industry competitive landscape and development trend, and major risk factors.

2023 is a transitional year of the Group's "14th Five-Year" development strategy. The Group will anchor the "14th Five-Year" strategic goals of the "14th Five-Year" Plan, seize investment and construction opportunities of the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen to build a pilot demonstration area of socialism with Chinese characteristics, and the opportunity of the times of realising the "dual carbon" goal of the PRC in the environmental protection industry and promoting the building of a beautiful China, focus on the two core businesses of "toll highways + general-environmental protection" with high-quality development as the guide, make every effort to promote operation management, investment and M&A, major project construction, digital transformation and upgrading, and other key tasks, and lay a solid foundation for the new pattern of healthy, sustainable development of the Company.

In the second half of 2023, the working goals and focuses for the Group are as follows:

Toll highway business: Implement the concept of refined operation and management, reduce costs, improve efficiency, conduct active marketing, strengthen the profitability of operating projects, deeply tap investment opportunities of high-quality highway projects, carry out research on development plans for land resources along highways, and enhance the advantages of the main business of toll highways. Promote the construction of major projects with high quality and speed, steadily carry out the construction of Coastal Phase II, ensure that the relevant road networks are connected on schedule, speed up the preliminary work for the construction of Outer Ring Phase III, and strive to start its construction during the year. Fully support the government to adjust the construction plan, and investment and financing plan for the Jihe Expressway reconstruction and expansion project. Steadily promote the establishment of the digital platform for the Group's core business and the trial of the free-flow charging technology, explore means of intelligent operation, management and maintenance, strengthen the market expansion of upstream and downstream businesses along the industry chain, and improve the level of operation and maintenance standardisation to realise the synchronous improvement of service quality and capacity.

General-environmental protection: Based on the segments of solid waste treatment and clean energy, further improve the capacity to expand market-oriented projects, leverage partnerships with industry leading enterprises to strengthen investment and acquisition efforts of high-quality projects in advantageous region, and strengthen the existing scale advantage. Continually deepen group control and promote the management integration of acquired projects. Strengthen construction management, ensure that the projects under construction like Guangming Environmental Park and Bioland are put into operation on schedule, optimise cost control, actively build a business model of industry and finance integration, and internal collaboration, keep improving the profitability of organic waste treatment projects, and further promote cost reduction and efficiency improvement in wind farm operation. Fully leverage the qualification advantages and technological strength of Shenshan Qiantai in the field of comprehensive utilisation of power batteries, such as vehicle disassembly, battery recycling, cascade utilisation and material regeneration, strengthen the acquisition of customer resources and the development of sales channels, improve the talent training mechanism, enrich the composite professional team, and grasp regional advantages and industry opportunities.

Financial management and corporate governance: Accelerate the construction of financial IT building, promote financial digital transformation, keep optimising the financial control of invested enterprises through the financial sharing centre and the centralised fund control platform, strengthen resource coordination, and improve the efficiency of fund use. Closely monitor the changes in monetary policies and the financing environment, adjust funding strategies timely, strengthen budget management, and improve effectiveness of financial control. Develop diversified financing channels, provide financial support for the construction of major projects by debt financing, equity financing and other means, optimise the capital structure, and reduce financial risks to help realise the "14th Five-Year" strategic goals. According to the regulatory rules and the development of the Group's business, sort out and improve the corporate governance rules, keep optimising corporate governance and board building, further define boundaries of powers and responsibilities, develop a scientific power delegation and exercise mechanism, improve the quality of decision-making and operational management, and adhere to high-level information disclosure to support the high-quality and sustainable development of the Company. During the Reporting Period, the Board of the Company considered and approved the relevant proposal for the issuance of A-shares to specific targets. For details, please refer to the Company's announcement dated 14 July 2023.

Directors' Report

Information on General Meetings

In the first half of 2023, one general meeting was held by the Company at the conference room of the Company, as detailed below:

Name of the meeting	Convening date	Enquiry index of the designated websites for the publication of the resolution	Disclosing date for the publication of the resolution
The 2022 Annual General Meeting	16 May 2023	http://www.sse.com.cn http://www.hkexnews.hk	17 May 2023

Progress of the Issuance of Super Short-term Commercial Paper

Pursuant to the "Notice of Acceptance of Registration" (Zhong Shi Xie Note [2023] No.SCP12(中市協註[2023]SCP12號《接受註冊通知書》)) issued by the National Association of Financial Market Institutional Investors, the Company may, within 2 years from the signing date of the "Notice of Acceptance of Registration", issue super-short-term commercial paper in a principal amount of not more than RMB3 billion. The Company issued the first phase and the second phase of 2023 super-short-term commercial paper on 21 February and 13 March 2023, respectively, with an issuance size of RMB1 billion, a maturity of 180 days each and a coupon rate of 2.16% and 2.20%, respectively. For details, please refer to the announcements of the Company dated 19 January, 22 February and 14 March 2023, respectively.

Pursuant to the "Notice of Acceptance of Registration" (Zhong Shi Xie Note [2023] No.SCP136(中市協註[2023]SCP136號《接受註冊通知書》)) issued by the National Association of Financial Market Institutional Investors to the Company, the Company may, within 2 years from the signing date of the "Notice of Acceptance of Registration", issue super-short-term commercial paper in a principal amount of not more than RMB2 billion. The Company issued the third phase of 2023 super-short-term commercial paper on 10 August 2023, respectively, with an issuance size of RMB1.5 billion, a maturity of 270 days each and a coupon rate of 2.25%. For details, please refer to the announcements of the Company dated 8 August, 10 August 2023, respectively.

Progress of issuance of medium-term notes

Pursuant to the notice issued by the National Association of Financial Market Institutional Investors, the Company has obtained a total registered amount of medium-term notes of RMB5 billion in 2023, with an effective period of two years from the signing date of the Notice of Acceptance of Registration. The Company may issue medium-term notes in instalments within the effective period of registration. According to "Notice of Acceptance of Registration" (Zhong Shi Xie Note [2023] No.MTN37 (中市協註[2023]MTN37號《接受註冊通知書》)), the Company issued the Tranche 1 medium-term notes of 2023 on 22 and 23 May 2023, with an issuance size of RMB1 billion, a maturity of 3 years and a coupon rate of 2.89%. For details, please refer to the Company's announcements dated 19 January, 23 May and 24 May 2023, respectively.

Proposed Offering of A-shares to Specific Targets

The Company plans to issue no more than 654,231,097 A-shares (“Issuance”) to no more than 35 (inclusive) specific targets, which meet the criteria required by the CSRC, with a total amount of no more than 30% of the total share capital of the Company before the Issuance. The proceeds to be raised from the Issuance will be no more than RMB6.5 billion (inclusive), and will be used for the investment and construction of the Outer Ring Project and the repayment of interest-bearing liabilities, after deducting relevant issuance expenses. On 14 July 2023, the Board of the Company considered and approved the plan and related matters of the Issuance. The proposal related to the Issuance will be implemented after it has been approved by the general meeting and/or class meeting of the Company, and the general meeting of Shenzhen International, and upon the Company having obtained approval from the SSE and the CSRC having provided its consent for the relevant registration. There are uncertainties on whether the Issuance can pass consideration, obtain approval and registration, as well as the timing of passing consideration, obtaining approval and registration. For details, please refer to the relevant contents of the “Management Discussion and Analysis” section of this report, and the announcement dated 14 July 2023 and the circular dated 24 August 2023 of the Company.

Related/Connected Transactions

XTC Company, a wholly-owned subsidiary of Shenzhen International (the controlling shareholder of the Company), plans to subscribe for a portion of A-shares that the Company plans to apply for issuance for an amount of no more than RMB1.51 billion (“transaction”), and Shenzhen International shall indirectly hold no less than 45.00% in the shareholding of the Company in total upon completion of the Issuance. Currently, Shenzhen International indirectly owns approximately 51.56% equity interests of the Company, including approximately 30.03% of the equity interests of the Company directly held by its wholly-owned subsidiary, XTC Company. According to the listing rules and relevant guidelines of the SSE and HKEx, XTC Company is a related/connected person of the Company, and the transaction constitutes a related/connected transaction of the Company. On 14 July 2023, the Board considered and approved the transaction and its related matters. XTC Company has signed a subscription agreement with conditions precedent with the Company on 14 July 2023. The final number of shares to be subscribed by XTC Company will be determined by negotiation between XTC Company and the Company after the issue price has been fixed, while the other shares will be subscribed by the other Specific targets. The transaction and its related matters will still be approved by the Company’s general meeting and/or class meeting. Related/connected persons interested in this transaction must waive their voting rights on relevant proposals at the general meeting and A/H share class meetings. For details, please refer to the Company’s announcement dated 14 July 2023.

Credits and Liabilities with Related Parties (as defined in the relevant PRC regulations)

As of the Reporting Date, the Company does not have any non-operating capital occupation by its controlling shareholder or other related parties.

Directors' Report

Major Transactions

With the approval of the Board, on 30 September 2022, the Company signed a PPP project contract (“PPP Contract”) with the Shenzhen Transportation Bureau for the reconstruction and expansion of Jihe Expressway, and signed two joint investment and construction agreements on project cooperation with the proposed investor Shenzhen SEZ Construction & Development Transportation Investment Co., Ltd. Since Shenzhen Municipal Government intended to adjust the construction and implementation plan of the Jihe Expressway reconstruction and expansion project in the future, and adjust the investment and financing plan accordingly, the above PPP Contract was terminated on 31 March 2023 pursuant to the termination clause in the agreement, and the joint investment and construction agreements between the Company and Shenzhen SEZ Construction & Development Transportation Investment Co., Ltd. cannot be performed for the moment. After the termination of the PPP Contract, the Company, as the major entity of the Jihe Expressway reconstruction and expansion project approved by Guangdong PDRC, is actively supporting in the adjustment of the construction implementation plan, investment and financing plan, and related agreements for the project. As of the date of this report, the relevant adjustment plan was still being studied and justified. The Company will perform the corresponding approval procedure after the relevant investment and financing plan is made clear. For details, please refer to the announcements dated 30 September, 13 October, 20 October, 24 October and 2 December 2022, and 31 March 2023 of the Company.

Major investment matters

On 14 July 2023, with the approval of the Board, the company considered and approved the subsequent investment plan for the Shenzhen section of Outer Ring Expressway. The Company was appointed as the owner of the Outer Ring Expressway (Shenzhen Section) Project in 2006, responsible for the overall investment, construction, operation and management of the project. According to the overall location and direction, construction standard and investment scale of the project, Outer Ring Expressway (Shenzhen section) is implemented in three phases. Phases I and II were approved for investment by 2015 Annual General Meeting of the Company on 19 May 2016, and were completed and opened to traffic at the end of December 2020 and 1 January 2022, respectively. In April 2023, the Development and Reform Commission of Guangdong Province approved the estimated total investment of RMB8.447 billion in the Kengzi-Dapeng section of approximately 16.8 kilometres in Outer Ring Phase III. On 14 July 2023, the Board approved the Company to continue investing approximately RMB8.447 billion in the construction of Outer Ring Phase III. For details of the Outer Ring Project, please refer to the relevant contents in the “Management Discussion and Analysis” section of this report, and the announcements dated 18 March 2016 and 14 July 2023, and the circular dated 25 April 2016 of the Company.

External Guarantees

Unit: RMB million, unless otherwise specified

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for related party or not
Guizhou Property ⁽¹⁾	Customers of Shenzhen Expressway – Interlaken Town	449.06	2016-01 – 2023-06	Effective date of the mortgage loan contract	Effective date of the mortgage under the contract	Joint liability guarantee	No	No	No	No
Shenwan Infrastructure ⁽²⁾	Xintang JV	93.48	17 December 2021 – 30 June 2023	17 December 2021	14 April 2023	Joint liability guarantee	Yes	No	No	No
Total amount of guarantees occurred during the Reporting Period										-104.65
Total balance of guarantees as at the end of the Reporting Period (A)										449.06
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										-94.76
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										4,850.31
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A + B)										5,299.37
Proportion of total amount of guarantees to the net assets of the Company (%)										25.45
Including:										
Amount of guarantees for shareholders, de-facto controller and their related parties (C)										-
Amount of the debt guarantees directly or indirectly provided for those whose gearing ratio exceeded 70% (D)										1,539.37
Amount of the guarantees that exceed 50% of net assets in aggregate (E)										-
Total amount of the above three guarantees (C+D+E)										1,539.37
Description on unexpired guarantees that may be confronted with joint liability										Please refer to the description below.

Directors' Report

Description on guarantees:

- (1) At the 4th meeting of the 7th session of the Board held on 30 June 2015, the 27th meeting of the 7th session of the Board held on 18 August 2017, and the 2017 annual general meeting held on 31 May 2018, the Company considered and approved the phased joint liability guarantees provided by Guizhou Property, a controlling subsidiary of the Company, for qualified mortgage customers who purchased the "Shenzhen Expressway – Interlaken Town (now renamed as Shenzhen Expressway – Leisure Villa)" project in accordance with the commercial practice in the real estate industry, with a total guarantee amount not exceed RMB1 billion. During the Reporting Period, Guizhou Property had provided phased guarantees of RMB12,705,000 to 19 customers, and the phased guarantees with an amount of RMB23,873,000 provided in previous periods were released during the Reporting Period. As at the end of the Reporting Period, the balance of the guarantees actually provided by Guizhou Property is RMB449,057,000.
- (2) Before Bay Area Development was acquired by the Company, its wholly-owned subsidiary, Shenwan Infrastructure, provided a shareholders' credit guarantee limit of approximately RMB225 million for the bank loans of Xintang JV, an enterprise in which it held 15% equity interests. The guaranteed party, Xintang JV, discharged all debts on 14 April 2023, and the guarantee obligation undertaken by Shenwan Infrastructure was fully released thereupon.
- (3) The Company has not provided any external guarantee in violation of the stipulated decision-making procedures.

Guarantee Authorisation and Guarantees for Subsidiaries of the Company

(1) Guarantee authorisation

The Company's 2021 annual general meeting held on 30 June 2022 considered and approved the proposal on signing for guarantee authorisation. The Board of the Company or its authorised executive director may provide guarantees of not more than RMB3 billion in aggregate for wholly-owned subsidiaries, and not more than RMB7 billion in aggregate for non-wholly-owned subsidiaries, as necessary. Such guarantees cover financing guarantees and guarantees for bank letters of guarantee. The effective period of guarantee authorisation was from the date of approval by the general meeting to the date when the 2022 annual general meeting was held. Subsequently, the 2022 annual general meeting held on 16 May 2023 considered and approved the proposal on signing for guarantee authorisation. The Board of the Company or its authorised executive director may provide guarantees of not more than RMB2.5 billion in aggregate for wholly-owned subsidiaries (in which the aggregate amount of guarantees for wholly-owned subsidiaries with an asset-liability ratio of over 70% may not exceed RMB600 million), and not more than RMB7 billion in aggregate for non-wholly-owned subsidiaries (in which the aggregate amount of guarantees for controlling subsidiaries with an asset-liability ratio of over 70% may not exceed RMB4.8 billion), as necessary. Such guarantees cover financing guarantees and guarantees for letters of guarantee. The effective period of guarantee authorisation was from the date of approval by the general meeting to the date when the 2023 annual general meeting is held.

(2) Guarantees for Subsidiaries of the Company

As at the end of the Reporting Period, the guarantees for subsidiaries of the Group were as follows:

Unit: RMB million

External guarantees of the Company (guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Maximum amount of guarantees	Actual balance of guarantees	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not
Environmental Company	Guangxi Bioland	149.92	124.33	2021/8/3	2021/8/3	2 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	Yes
The Company	Outer Ring Company ^{Note 1}	0	0	2021/8/25	2021/8/25	3 years after the maturity of discounted bills	Joint liability guarantee	Yes	No	No
The Company	Investment Company	13.61	13.61	2021/9/13	2021/9/13	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Fuzhou Bioland	60	58	2021/9/15	2021/9/15	2 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Guangxi Bioland ^{Note 2}	30	0	2021/12/24	2021/12/24	3 years after the expiry date of the debt performance period	Joint liability guarantee	Yes	No	No
Bioland	Guilin Bioland	100	88.20	2021/12/24	2021/12/24	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Beihai Zhonglan ^{Note 3}	66.8	59.90	2021/12/29	2021/12/29	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Zhuji Bioland ^{Note 2}	130	31.24	2021/12/29	2021/12/29	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
The Company	Outer Ring Company ^{Note 1}	0	0	2022/1/12	2022/1/12	3 years after the expiry date of the debt performance period	Joint liability guarantee	Yes	No	No
The Company	Guangming Environment Technology	300	124.11	2022/4/1	2022/4/1	3 years after the maturity of discounted bills	Joint liability guarantee	No	No	No

Directors' Report

External guarantees of the Company (guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Maximum amount of guarantees	Actual balance of guarantees	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not
The Company	Guangming Environment Technology	46.16	46.16	2022/7/21	2022/7/21	Expiry date of the limitation of action of the advance claim	Joint liability guarantee	No	No	No
The Company	Shenwan Infrastructure	1,798	1,749	2022/11/8	2022/11/8	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Guilin Bioland	40	33.96	2023/1/6	2023/1/6	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Investment Company	Shengao Lekang	36.26	17.60	2023/5/11	2023/5/11	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Guangxi Bioland	30	30	2023/5/12	2023/5/12	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Handan Bioland	98	98	2023/5/12	2023/5/12	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bay Area Development	SIHCL Bay Area Finance Limited	829.78	829.78	2023/6/26	2023/6/26	As required by the agreement after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Huangshi Bioland	42	42	2023/6/29	2023/6/29	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland	Various project subsidiaries in which the Company invested prior to its acquisition of Bioland ^{Note 4}	140.40	140.40	2015/11/24 – 2018/9/26	2015/11/24	Upon expiration of the debt performance period, as required in the agreement	Joint liability guarantee	No	No	No
Bay Area Development	SIHCL Bay Area Finance Limited ^{Note 5}	2,238	1,364.53	2014/8/26 – 2020/7/14	2014/8/26	Upon expiration of the debt performance period, as required in the agreement	Joint liability guarantee	No	No	No
Total		/	4,850.31	/	/	/	/	/	/	/

As at the end of the Reporting Period, based on the financing amounts of the holding subsidiaries, the total amount of guarantees actually provided by the Company to its holding subsidiaries was RMB4,850.31 million, including the balance of guarantees provided by Bioland, a holding subsidiary of the Company, before its acquisition by the Company of RMB140.3999 million (all of which were provided by Bioland for its holding subsidiaries), and the balance of guarantees provided by Bay Area Development before its acquisition by the Company amounted to RMB1,364.5304 million (being the guarantee of HKD1.48 billion provided by Bay Area Development for its holding subsidiaries, calculated at the central parity rate published by the People's Bank of China on 30 June 2023, i.e., HKD100 = RMB92.198). There is no overdue guarantee in the above guarantees. For details, please refer to the Company's announcements dated 3 August, 25 August, 13 September, 15 September, 24 December and 30 December 2021, 12 January, 1 April, 21 July and 8 November 2022, and 6 January, 11 May, 12 May, 26 June and 29 June 2023.

- Note 1: During the Reporting Period, Outer Ring Company and the Company have signed termination agreements for the relevant loan and guarantee contracts with the bank respectively. The Company's guarantee obligation has been fully released, and the total financing guarantee amount of RMB1.7 billion provided by the Company for Outer Ring Company has been fully written off.
- Note 2: Bioland provided a guarantee for a financing limit of RMB30 million of its wholly-owned subsidiary Guangxi Bioland on 24 December 2021. Guangxi Bioland repaid all loans on 21 March 2023, and the guarantee obligation undertaken by Bioland has been fully released.
- Note 3: The Company's 15th meeting of the 9th session of the Board held on 22 December 2021 considered and passed the Proposal on the Guarantees of Bioland Company for the Financing of its Non-wholly-owned Subsidiaries (《關於藍德公司為非全資子公司融資提供擔保的議案》), and the Board agreed that Bioland would provide financing guarantees for its holding subsidiaries Beihai Zhonglan, Zhuji Bioland and Chuzhou Bioland. As at the Reporting Date, Chuzhou Bioland had not incurred any financing or guarantee yet. For details, please refer to the Company's announcement dated 22 December 2021.
- Note 4: The guarantees provided by Bioland, a holding subsidiary of the Company, before its acquisition by the Company are all guarantees provided by Bioland for its subsidiaries.
- Note 5: Guarantees provided by Bay Area Development, a controlling subsidiary of the Company, for its subsidiaries before its acquisition by the Company.

Mortgage and Pledge of Assets

For details of the Company's and its subsidiaries' assets mortgaged or pledged as at the end of the Reporting Period, please refer to the relevant contents of "3. Restrictions on main assets as at the end of the Reporting Period" in "III. Financial Analysis" in the "Management Discussion and Analysis" section in this report.

Entrusted Wealth Management

As approved by the Board of the Company, provided that the safety and liquidity of its capital reserves are ensured, the Group invests part of its capital reserves in monetary funds, wealth management products issued by banks, financial products for financing purposes issued by holding enterprises within the Shenzhen SASAC system and other types of wealth management products. During the Reporting Period, the Group newly entered into four new transaction of wealth management products with guaranteed principal and floating returns, and the amount of entrusted wealth management was RMB1.07 billion. As at the end of the Reporting Period, the balance of the Group's wealth management products was zero, and there was no overdue principal and income yet to be recovered.

Directors' Report

Other Agreements and Matters

The Company did not enter into any contract in respect of the management or administration of its overall businesses or any material business or had any such contract subsisting, nor did it enter into any other material contract in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period.

During the Reporting Period, there was no material litigation or arbitration matter, matter which the media generally questioned, or bankruptcy and reorganisation in connection with the Company, nor was any share option incentive scheme implemented. In addition, there was no such prior matter subsisting during the Reporting Period. As at the end of the Reporting Period, the Group was involved in several small-claim lawsuits and arbitrations, which would not have any significant impact on the Group's daily operations. As at the end of the Reporting Period, the major outstanding and concluded lawsuits and arbitrations during the Reporting Period were as follows:

Unit: '000 Currency: RMB

Plaintiff (applicant)	Defendant (respondent)	Party with joint and several liability	Type of Litigation (arbitration)	Basic information of the litigation (arbitration)	Amount involved in litigation (arbitration)	whether litigation (arbitration) forms any predicted liability and its amount	Progress of litigation (arbitration)	Result of litigation (arbitration) and effects	Execution of judgment of litigation (arbitration) judgment
Nanjing Wind Power	CRRC Wind Power (Shandong) Co., Ltd.	-	Arbitration	Dispute over purchase contract	101,080.7 (Counterclaim for 30,000)	No	Arbitration award made	On 16 June 2023, a final ruling was received from the Jinan Arbitration Commission: (1) CRRC Wind Power (Shandong) Co., Ltd. shall pay RMB99.9914 million to Nanjing Wind Power; (2) Nanjing Wind Power shall pay a penalty of RMB30 million for delayed supply to CRRC Wind Power (Shandong) Co., Ltd.	-
Nanjing Wind Power	CRRC Wind Power (Shandong) Co., Ltd.	-	Litigation	Dispute over purchase contract	40,138.0 (Counterclaim for 47,656)	No	In execution	On 20 June 2022, the first instance judgment was as follows: (1) CRRC Wind Power (Shandong) Co., Ltd. shall pay RMB32.725 million in purchase price and liquidated damages to Nanjing Wind Power; (2) Nanjing Wind Power shall pay RMB703,000 in liquidated damages for overdue delivery to CRRC Wind Power (Shandong) Co., Ltd. On 13 October 2022, the second instance judgment upheld the original judgment.	CRRC Wind Power (Shandong) Co., Ltd. has paid approximately RMB35.383 million to Nanjing Wind Power; Nanjing Wind Power has paid RMB704,000 (including overdue interests) to CRRC Wind Power (Shandong) Co., Ltd.
Yonker Environmental Protection Co., Ltd.	Guangxi Bioland, Bioland	-	Litigation	Construction contract disputes of construction projects	51,757.8 (Counterclaim for 50,000)	Yes, the predicted liability is RMB21,758,000 (in which, the project cost is RMB19,585,000 million, which is calculated and withdrawn based on the amount excluding tax of RMB17,968,000, and the interest is RMB3,790,000)	Second instance underway	On 14 December 2022, the first instance judgment made by the Nanning Intermediate People's Court of the Guangxi Zhuang Autonomous Region was received: (1) Guangxi Bioland shall pay approximately RMB19,585,470 in project costs with interests to Yonker Environmental; (2) Yonker Environmental shall pay RMB1.5 million in losses from construction delay to Guangxi Bioland.	Second instance underway

Plaintiff (applicant)	Defendant (respondent)	Party with joint and several liability	Type of litigation (arbitration)	Basic information of the litigation (arbitration)	Amount involved in litigation (arbitration)	whether litigation (arbitration) forms any predicted liability and its amount	Progress of litigation (arbitration)	Result of litigation (arbitration) and effects	Execution of judgment of litigation (arbitration) judgment
Nantong Sijian Construction Group Co., Ltd.	Taizhou Bioland	-	Litigation	Construction contract disputes of construction projects	51,326.9 (counterclaim for 1,408)	No	Second instance underway	On 28 March 2023, the first instance judgment was received: (1) Taizhou Bioland shall pay RMB23,975,700 in project costs, RMB1,182,770 in interests (25%) on project costs, and overdue interests to Nantong No.4 Construction.	Second instance underway
Xinqing Environmental Technology (Lianyungang) Co., Ltd.	Nanjing Wind Power	-	Litigation	Contract disputes	150,743.2 (counterclaim for 52,426.93)	No	In first instance	-	In first instance
Baihe Town People's Government, Hengzhou City	Guangxi Institute of Building Research and Design	Bioland (third party)	Litigation	Contract disputes	3,783.8	No	In first instance	The project involved in this case relates to specialized technology. Since technical contract disputes are under the jurisdiction of intermediate people's courts or above, the first-trial Hengzhou People's Court transferred this case to the Nanning Intermediate People's Court for trial. The case is to be filed by the Nanning Intermediate People's Court, and there is no progress for the moment.	In first instance
Environmental Company	Pan Aihua	-	Litigation	Disputes over equity transfer	276,400	No	In first instance	-	In first instance
Environmental Company ^{note 1}	Shi Junying, Shi Junhua, Zhengzhou Cida Environmental Technology Co., Ltd., Beijing Shuiqi Lande Technology Co., Ltd., ("Respondents")	-	Arbitration	Failure to achieve the promised performance, requiring the respondent to fulfill the performance compensation	-	No	Arbitration accepted, not yet decided	-	Entertaining

Note 1: On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Company, entered into a capital increase and equity transfer agreement ("Agreement") with the relevant parties to acquire not more than 68.1045% of the controlling interest in Bioland by way of share subscription and capital increase. Pursuant to the Agreement, the relevant parties, including Zhengzhou Cida Environmental Technology Co., Ltd., Beijing Shuiqi Lande Technology Co., Ltd., Mr. Shi Junying and Mr. Shi Junhua ("Performance Commitment Parties"), shall jointly undertake and guarantee in joint liability that the audited net profit attributable to shareholders of the parent company (after deducting non-recurring profit or loss) of Bioland in 2020, 2021, 2022 and 2023 ("Performance Commitment Period") will be no less than RMB30 million, RMB80 million, RMB110 million and RMB140 million, respectively, while the accumulated net profit attributable to shareholders of the parent company realised during the Performance Commitment Period will be no less than RMB360 million. If the accumulated actual net profit at the end of any year during the performance commitment period is lower than 70% of the accumulated promised net profit in the same period, the obligation of share compensation will be triggered. As the cumulative net profit attributable to shareholders of the parent company (after deducting non-recurring profit or loss) of Bioland from 2020 to 2022 fell short of the performance guaranteed, in accordance with the performance commitment and compensation covenant in the Agreement, the Environmental Company filed a petition for arbitration in relation to the compensation. For details, please refer to the Company's annual reports for the years 2020 to 2022, as well as the announcements dated 8 January 2020, 18 August 2023 of the Company.

Directors' Report

Commitments

Background of undertaking	Type of undertaking	Undertaking party	Undertaking details	Time and duration of undertaking	Term of fulfilment or not	Whether fulfilled timely and strictly or not
Undertakings made in Acquisition Report or Report on the Changes in Equity Interests	Others	Shenzhen International/ Shenzhen International (Shenzhen)	For details of the undertakings to avoid peer competition and regulate connected transactions, please refer to Detailed Report on the Changes in Equity Interests (《詳式權益變動報告書》) published on 18 October 2007 in the securities market of the PRC by undertaking parties or relevant contents in the Annual Report 2007 of the Company	October 2007	No	Yes
	Others	Shenzhen International	<p>1. It will continue to fulfil the above undertaking made in October 2007 to avoid peer competition and regulate connected transactions.</p> <p>2. Except with the approval of the Board of the Company and the written consent of the independent directors of the Company, Shenzhen International will not directly or indirectly engage in businesses that compete with the main businesses of the Company alone or together with any other person or company, except as agreed upon by both parties.</p> <p>For details, please refer to the Acquisition Report published by SIHCL dated 4 January 2011 on the securities market of the PRC and the Company's announcement dated 1 June 2011.</p>	December 2010	No	Yes
	Others	SIHCL	<p>To avoid peer competition, SIHCL has made the following undertakings:</p> <p>1. It undertakes not to directly or indirectly engage in any business that constitutes or may constitute substantial competition with the businesses operated by the Group, nor to participate in any investment in any other enterprise that constitutes or may constitute substantial competition with the products of or businesses operated by the Group.</p> <p>2. Except with the approval of the Board of the Company and the written consent of the independent directors of the Company, SIHCL will not directly or indirectly engage in businesses that compete with the main businesses of the Company alone or together with any other person or company, except as agreed upon by both parties.</p> <p>For details, please refer to the Acquisition Report published by SIHCL dated 4 January 2011 on the securities market of the PRC and the Company's announcement dated 1 June 2011.</p>	December 2010	No	Yes

Background of undertaking	Type of undertaking	Undertaking party	Undertaking details	Time and duration of undertaking	Term of fulfilment or not	Whether fulfilled timely and strictly or not
Letter of undertaking	Others	Shenzhen International	<ol style="list-style-type: none"> 1. It will take the Company as the only platform for the final integration of the expressway business of Shenzhen International; 2. It will fulfil all undertakings to support the development of the Company. 3. For the expressway business assets owned by Shenzhen International, Shenzhen International undertakes to inject such assets into the Company in approximately 5–8 years when the relevant conditions are met, so as to promote the sustainable and stable development of the Company. 	June 2011	No	Yes
Letter of undertaking	Others	SIHC	<ol style="list-style-type: none"> 1. It will take the Company the only platform for the final integration of the expressway business of SIHC; 2. SIHCL will fulfil all undertakings to support the development of the Company. 3. For the expressway business assets owned by SIHC, SIHC undertakes to inject such assets into the Company in approximately 5–8 years when the profitability of such assets is improved and the relevant conditions are met, so as to eliminate peer competition between SIHCL and the Company, and promote the sustainable and stable development of the Company. 	May 2011	No	Yes
Undertakings related to IPO	Avoidance of peer competition	XTC Company/SGH Company	The undertaking parties will not engage in any industry or business in any way which, directly or indirectly, competes with the Company in Shenzhen.	January 1997	No	Yes

Information on Corporate Governance

The Company is listed on both SSE and HKEx. The Company has to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the “Company Law” and the relevant requirements issued by the CSRC. The Company has also fully adopted all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules of HKEx without any material deviation or breach. The Company strives to achieve better corporate governance practices. For details, please refer to the Annual Report 2022 of the Company.

Directors' Report

Investor Relationship Management

The management of the Company highly values communication with its investors. In the first half of 2023, the Executive Director and President, the Chief Accountant and Board Secretary, and other senior management members of the Company participated in the relevant investor relations activities to communicate and exchange views with investors directly. The investor relations activities were mostly organised by the Company in the following forms mainly:

- Disclosing the investor hotline and investor relations e-mailbox, setting up an investor message section on the Company's website, and promptly responding to investor inquiries. In the first half of 2023, the Company replied to approximately 40 investor inquiries by website, telephone and e-mail.
- Properly arrange for requests for visits and investigation tours from investors. In the first half of 2023, the Company received 16 investor visits and investigation tours involving over 40 person-times in aggregate, exchanging views and communicating with investors with an open-minded attitude, and established a direct communication mechanism between investors and the Company.
- The Company conducts presentation activities in various forms, including organising performance presentations, press conferences, online investor meetings and road-shows, and attending various investor forums. In the first half of 2023, the Company communicated with about 350 person-times of investors, securities analysts and media reporters.
- Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and released a total of eight issues of E-news and performance presentation materials in the first half of 2023, providing information to investors on the operating performance and environment of the Company, and giving replies to issues which concerned investors. Apart from e-mail, they were also uploaded to the Company's website for more investors' access at any time.
- Investors and the public may access information such as the Group's basic information, corporate governance rules, information disclosure documents, profiles of directors, supervisors and senior management members, and data on the monthly operating performance of the Group's toll highway projects at any time on the Company's website (<http://www.sz-expressway.com>).
- The Company also timely handled and replied to investors' messages, and uploaded investors' interaction records monthly through the "e-interaction" platform developed by the SSE for listed companies and investors.

Employees, Remuneration and Training

As at 30 June 2023, among the total of 7,025 employees of the Group (including the Company and its consolidated subsidiaries), 2,341 were management and professional personnel, and 4,684 were frontline operators.

The remuneration and benefits of an employee include the job salary, performance bonus, and statutory and corporate benefits, and are determined by the market value of the job and the comprehensive performance of the employee. Pursuant to the statutory requirements, the Group has participated in the employee retirement benefit program (social pension insurance) and the housing provident fund plan coordinated organised by the local government authorities, and has arranged various security plans such as medical insurance, work-related injury insurance and unemployment insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of an employee's aggregate salary (subject to the required cap) to the labour and social security authority, and the housing provident fund management centre as social insurance contributions for items such as pension and medical insurance premiums, and the housing provident fund. For details of employee remuneration and benefits, please refer to notes III/23 and V/29 to the Financial Statements in this report.

The Company values staff training and has established the training system based on job competency. During the Reporting Period, the Company organised a number of training sessions, which covered all business segments of the Company, including general management, operation management and professional skills. In addition, in order to meet the growing demand for cross-regional training within the Company, the Company offered training through its mobile learning platform. During the Reporting Period, the Company organised 179 training sessions for employees, and 5,147 person-times of employees attended offline training; the Company organised 40 online training sessions, accounting for 56 hours of live broadcast and involving 6,125 person-times on live in total.

Review of Interim Results

The 2023 interim financial information and comparative figures for the same period of 2022 were prepared in accordance with CASBE, and also complied with the disclosure requirements under the Listing Rules of the HKEx. The Audit Committee of the Company has reviewed and confirmed the financial statements and interim report of the Group for the six months ended 30 June 2023. The relevant financial information has not been audited.

Names of Directors

As at the date of this report, the members of the Board include: Mr. Liao Xiang Wen (Executive Director and President), Mr. Wang Zeng Jin (Executive Director), Mr. Wen Liang (Executive Director), Mr. Dai Jing Ming (Non-executive Director), Ms. Li Xiao Yan (Non-executive Director), Mr. Lü Da Wei (Non-executive Director), Mr. Bai Hua (Independent Director), Mr. Li Fei Long (Independent Director), Mr. Miao Jun (Independent Director) and Mr. Xu Hua Xiang (Independent Director).

By Order of the Board

Liao Xiang Wen

Executive Director

Shenzhen, China, 25 August 2023

Share Capital and Shareholders

I. Profile of Movements of Share Capital

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

A total of 2,180,770,326 ordinary shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively.

II. Information of Shareholders

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

1. Total Number of Shareholders:

The total number of shareholders of the Company was 17,090, of which 16,846 were holders of A Shares and 244 were holders of H Shares.

2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company

Unit: share

The top ten shareholders						
Name of shareholder	Changes during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of restricted circulating shares held	Number of shares pledged or frozen	Nature of shareholders
HKSCC NOMINEES LIMITED ^{Note}	-8,000	729,821,375	33.47	—	Unknown	Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	—	654,780,000	30.03	—	None	State-owned legal person
Shenzhen Shen Guang Hui Highway Development Company Limited	—	411,459,887	18.87	—	None	State-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	—	91,092,743	4.18	—	None	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	—	61,948,790	2.84	—	None	State-owned legal person
China Merchants Bank – SSE Dividend Trading Open Index Securities Investment Fund	+1,328,207	34,377,053	1.58	—	Unknown	Domestic non-state-owned legal person
AU SIU KWOK	—	11,000,000	0.50	—	Unknown	Overseas natural person
Hong Kong Central Clearing Company Limited	+3,148,285	10,799,907	0.50	—	Unknown	Others
ZHANG PING YING	+28,900	7,738,565	0.35	—	Unknown	Domestic natural person
Industrial and Commercial Bank of China Co., Ltd. – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund	-237,324	7,299,300	0.33	—	Unknown	Domestic non-state-owned legal person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED ^{Note}	729,821,375	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company Limited	411,459,887	A Share
China Merchants Expressway Network & Technology Holdings Company Limited	91,092,743	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
China Merchants Bank – SSE Dividend Trading Open Index Securities Investment Fund	34,377,053	A Share
AU SIU KWOK	11,000,000	H Share
Hong Kong Central Clearing Company Limited	10,799,907	A Share
ZHANG PING YING	7,738,565	A Share
Industrial and Commercial Bank of China Co., Ltd. – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund	7,299,300	A Share
Connected relationship or concert party relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.	

Note: The H shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.

3. Disclosure of Interests of Shareholders Pursuant to the Listing Rules of HKEx

As at 30 June 2023, the interests or short positions of shareholders, other than a Director, Supervisor or Chief executives of the Company, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), were as follows:

A Shares:

Name of shareholder	Capacity	Number of A Shares of the Company held	Percentage of total issued A Share capital
Shenzhen International ^②	Interest of corporation controlled ^③	1,066,239,887(L)	74.39%(L)
SIHC	Interest of corporation controlled ^④	1,066,239,887(L)	74.39%(L)

Share Capital and Shareholders

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
China Merchants Expressway Network & Technology Holdings Company Limited	Beneficial owner	28,612,000 (L)	11.13%(L)
	Interest of corporation controlled	54,556,000 (L)	
Shenzhen International ^②	Interest of corporation controlled ^③	52,612,000(L)	7.03%(L)
SIHC	Interest of corporation controlled ^④	52,612,000(L)	7.03%(L)

Note: (L) – long positions, (S) – short positions, (P) – lending pool.

Please refer to Securities and Futures Ordinance for relevant definitions

Notes :

- ① All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.
- ② Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- ③ Pursuant to a written letter provided by Shenzhen International to the Company, as at 30 June 2023, Long positions of 654,780,000 A Shares were directly held by XTC Company, as beneficial owner; Long positions of 411,459,887 A Shares were directly held by SGH Company, as beneficial owner; and long position of 58,194,000 H Shares were directly held by Advance Great Limited, as beneficial owner, which represent 7.785% of the issued H shares of the Company. All of these companies are wholly-owned subsidiaries of Shenzhen International. Thus, Shenzhen International and SIHC indirectly holding 58,194,000 H shares of the Company, which represent 7.785% of the issued H shares of the Company.
- ④ SIHC indirectly held approximately 44.255% interests in Shenzhen International. Pursuant to Securities and Futures Ordinance, SIHC was deemed to be interested in shares of the Company owned by Shenzhen International.

Save as disclosed above, to the knowledge of the Company, as at 30 June 2023, there were no other persons required to be disclosed under Section 336 of Part XV of Securities and Futures Ordinance of Hong Kong.

4. The Controlling Shareholders and the De-facto Controller

During the Reporting Period, there was no change in the controlling shareholder or the de-facto controller of the Company.

III. Others

Purchase, Sale or Redemption of Securities

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

Directors, Supervisors and Senior Management

I. Changes of the Directors, Supervisors and Senior Management

1. Personnel Changes during the Reporting Period

During the Reporting Period, there were no changes in the directors, supervisors and senior management of the Company.

II. Information on the Interests of Directors, Supervisors and Senior Management in Securities

1. Changes in Shareholding

During the Reporting Period, none of the Directors, the Supervisors or the Senior Management have bought or sold the Company's shares or be granted equity incentive by the Company.

As at the end of the Reporting Period, none of the Directors, the Supervisors or the Senior Management has held any shares of the Company.

2. Disclosure of Interests of the Management Pursuant to the Listing Rules of HKEx

As at 30 June 2023, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including deemed interests and short positions under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of the Company:

Name	Number of ordinary shares held as at 30 June 2023	Changes during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Liao Xiang Wen ^①	20,293	+748	0.001%	Family interests	Beneficial owner

Note:

① The interests are owned by the spouse of director Liao Xiang Wen.

Saved as disclosed above, as at 30 June 2023, none of the Directors, the Supervisors or the Chief Executive had interests or short positions defined above.

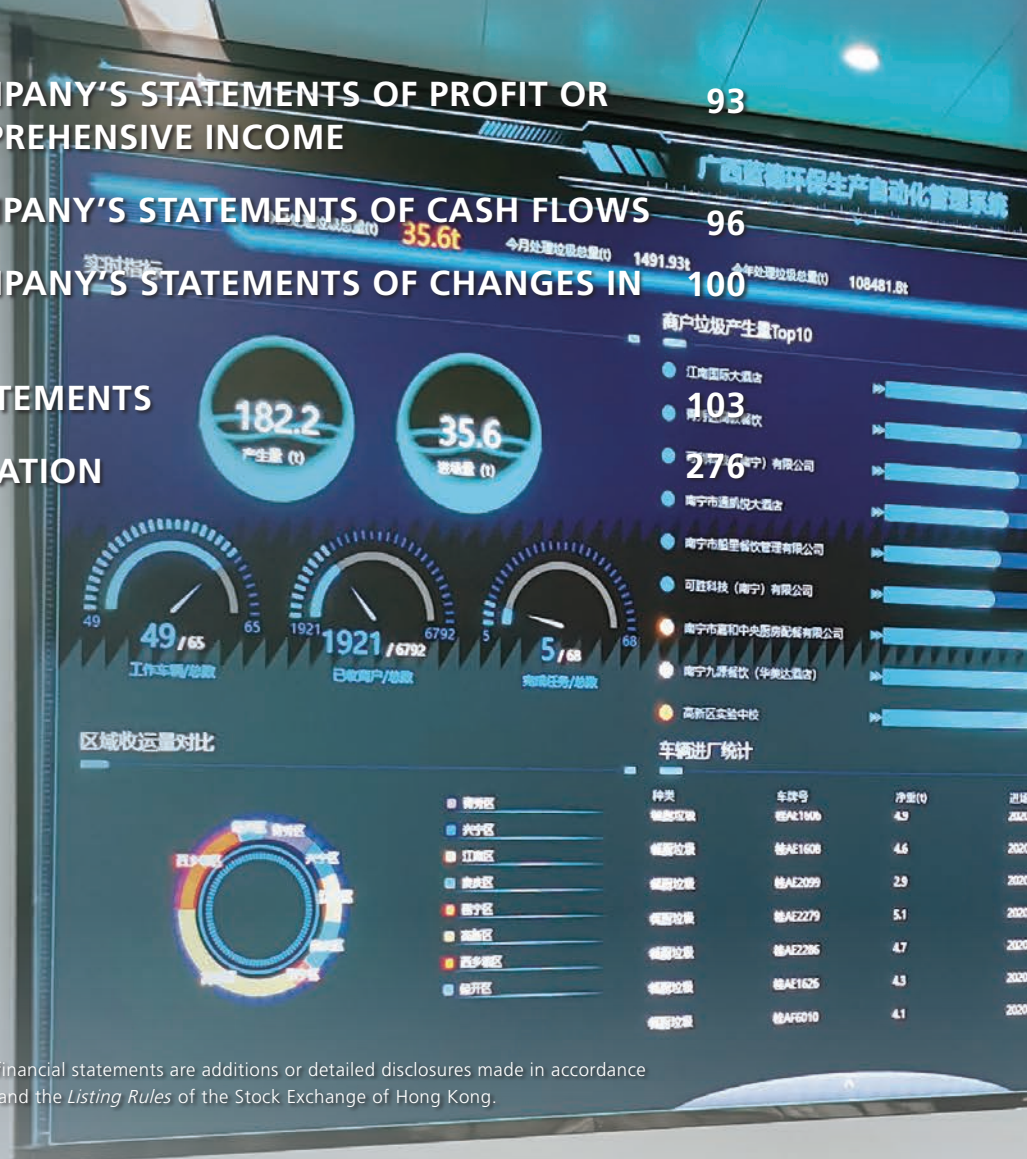
3. Model Code for Securities Transactions by Directors and Supervisors

The "Securities Transaction Code" of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEx entitled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant provisions of the domestic securities regulatory authorities, as a written guide to regulate dealings in the Company's securities by Directors, Supervisors and relevant staff. The "Securities Transaction Code" of the Company has included and is higher than the standards set by Appendix 10 to the Listing Rules of HKEx to a certain extent.

After making specific enquiry of all the Directors, Supervisors and Senior Management, the Company confirms that all of the Directors, Supervisors and Senior Management have complied with the standards on securities transactions by directors as stipulated by the aforementioned code during the Reporting Period.

2023 INTERIM FINANCIAL STATEMENTS

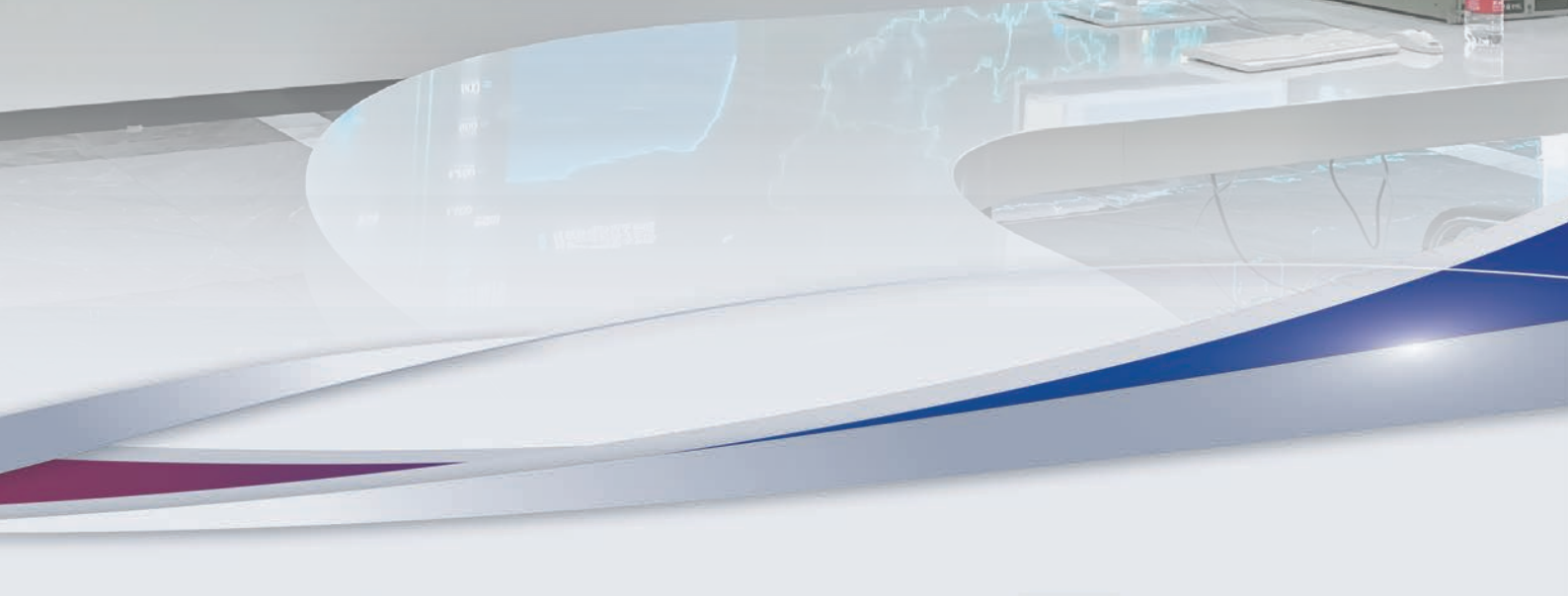
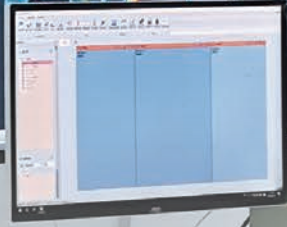
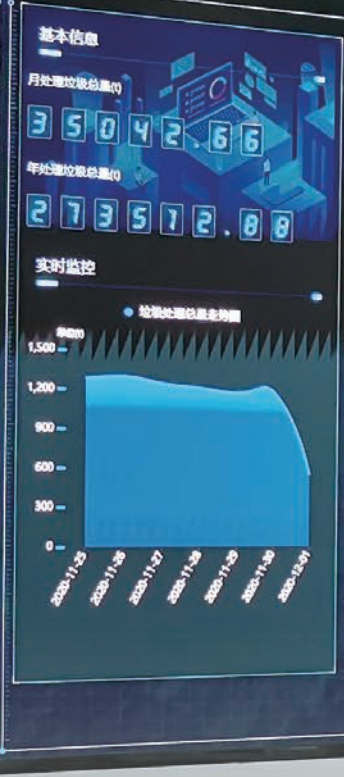
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Note: Sections marked with * in the notes to the financial statements are additions or detailed disclosures made in accordance with the *Hong Kong Companies Ordinance* and the *Listing Rules* of the Stock Exchange of Hong Kong.



智慧环保生产自动化管理系统



Consolidated Statement of Financial Position

As at 30 June 2023

RMB

Item	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated) (Unaudited)
Current assets:			
Cash at banks and on hand	V.1	4,172,326,115.80	3,635,862,158.72
Transactional financial assets	V.2	210,804,141.40	1,112,243,771.54
Bills receivable	V.3	700,000.00	3,500,000.00
Accounts receivable	V.4	943,994,159.06	1,052,263,013.07
Prepayments	V.5	299,136,947.59	225,509,293.25
Other receivables	V.6	748,424,760.64	1,121,628,992.41
Inventories	V.7	1,354,539,728.21	1,314,262,956.81
Contract assets	V.8	316,937,171.88	377,341,353.82
Non-current assets due within one year	V.9	243,955,649.37	196,704,222.31
Other current assets	V.10	471,810,858.49	257,805,744.15
Total current assets		8,762,629,532.44	9,297,121,506.08
Non-current assets:			
Long-term prepayments	V.11	1,003,134,389.49	996,880,056.74
Long-term receivables	V.12	2,189,300,070.75	2,152,166,502.48
Long-term equity investments	V.13	17,938,802,920.22	17,749,069,948.37
Other non-current financial assets	V.14	864,893,649.91	763,264,630.44
Investment properties	V.15	25,391,089.45	26,068,821.95
Fixed assets	V.16	6,993,804,622.87	7,209,500,786.33
Construction in progress	V.17	234,326,970.91	225,703,626.92
Right-of-use assets	V.18	79,634,463.20	75,412,073.15
Intangible assets	V.19	26,273,959,975.37	26,847,604,300.36
Development expenditures		5,505,399.14	5,500,636.18
Goodwill	V.20	202,893,131.20	202,893,131.20
Long-term prepaid expenses		46,550,466.71	53,624,450.56
Deferred tax assets	V.21	365,496,633.34	426,637,402.74
Other non-current assets	V.22	3,175,292,424.87	3,173,250,142.00
Total non-current assets		59,398,986,207.43	59,907,576,509.42
Total assets		68,161,615,739.87	69,204,698,015.50

Item	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated) (Unaudited)
Current liabilities:			
Short-term borrowings	V.23	9,915,991,634.75	9,396,229,275.32
Transactional financial liabilities	V.24	87,724,368.64	133,009,243.01
Bills payable	V.25	193,844,462.99	228,669,880.66
Accounts payable	V.26	2,430,636,282.21	2,812,967,920.77
Advances from customers	V.27	1,083,671.53	794,329.08
Contract liabilities	V.28	102,681,220.30	30,333,016.72
Employee benefits payable	V.29	240,006,048.44	363,794,024.54
Taxes payable	V.30	512,919,682.86	507,605,023.01
Other payables	V.31	1,640,216,265.79	1,371,768,690.38
Non-current liabilities due within one year	V.32	6,213,321,592.15	6,380,323,337.26
Other current liabilities	V.33	2,018,401,924.08	2,017,855,853.48
Total current liabilities		23,356,827,153.74	23,243,350,594.23
Non-current liabilities:			
Long-term borrowings	V.34	9,336,123,047.34	9,573,248,109.29
Bonds payable	V.35	5,651,951,426.96	5,769,517,430.62
Including: Preferred stock		–	–
Perpetual bonds		–	–
Lease liabilities	V.36	60,901,417.84	47,738,699.35
Long-term payables	V.37	1,041,764,629.53	1,148,281,363.36
Long-term employee benefits payable	V.38	115,649,911.45	115,716,411.45
Provisions	V.39	196,114,162.99	187,330,812.16
Deferred revenue	V.40	432,829,935.88	474,342,722.05
Deferred tax liabilities	V.21	1,233,749,467.75	1,281,034,171.47
Total non-current liabilities		18,069,083,999.74	18,597,209,719.75
Total liabilities		41,425,911,153.48	41,840,560,313.98

Consolidated Statement of Financial Position

As at 30 June 2023

RMB

Item	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated) (Unaudited)
Shareholders' equity:			
Equity	V.41	2,180,770,326.00	2,180,770,326.00
Other equity instruments	V.42	4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		–	–
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve	V.43	4,364,779,091.06	4,390,599,135.60
Other comprehensive income	V.44	(749,836,538.56)	(408,012,206.05)
Surplus reserve	V.45	3,218,191,232.88	3,103,651,659.99
Undistributed profits	V.46	7,808,124,476.62	8,081,458,651.29
Total equity attributable to shareholders of the parent company		20,822,028,588.00	21,348,467,566.83
Minority interests		5,913,675,998.39	6,015,670,134.69
Total shareholders' equity		26,735,704,586.39	27,364,137,701.52
Total liabilities and shareholders' equity		68,161,615,739.87	69,204,698,015.50

The attached notes are an integral part of these financial statements.

The financial statements are signed by the following persons:

Liao Xiangwen

Head of the Company

Zhao Guiping

Chief financial officer

Jiang Weiqi

Head of accounting department

Company's Statement of Financial Position

As at 30 June 2023

RMB

Item	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated) (Unaudited)
Current assets:			
Cash at banks and on hand		1,367,058,379.02	1,706,204,173.44
Transactional financial assets		–	450,000,000.00
Accounts receivable	XIV.1	51,265,989.73	29,184,614.09
Prepayments		9,374,550.34	12,936,861.27
Other receivables	XIV.2	3,276,603,540.84	2,505,378,219.49
Inventories		992,367.53	1,208,231.34
Contract assets		125,396,070.37	120,715,346.96
Other current assets		–	–
Total current assets		4,830,690,897.83	4,825,627,446.59
Non-current assets:			
Long-term prepayments		709,298,216.35	697,940,786.69
Long-term receivables		2,600,447,048.44	3,017,447,032.09
Long-term equity investments	XIV.3	25,367,625,702.88	25,164,612,457.19
Other non-current financial assets		809,765,679.91	709,336,660.44
Investment properties		9,783,579.12	10,071,441.24
Fixed assets		1,802,413,900.05	1,842,404,378.38
Construction in progress		19,356,934.37	7,317,459.69
Right-of-use assets		22,472,572.44	26,789,811.48
Intangible assets		1,762,550,620.29	1,779,348,086.76
Development expenditures		5,500,636.18	5,500,636.18
Long-term prepaid expenses		7,309,726.24	9,820,231.89
Deferred tax assets		–	16,570,672.22
Other non-current assets		380,519,019.62	367,227,159.65
Total non-current assets		33,497,043,635.89	33,654,386,813.90
Total assets		38,327,734,533.72	38,480,014,260.49

Company's Statement of Financial Position

As at 30 June 2023

RMB

Item	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated) (Unaudited)
Current liabilities:			
Short-term borrowings		665,661,055.32	715,245,676.50
Bills payable		16,069,782.42	40,445,702.74
Accounts payable		89,926,947.18	209,756,712.61
Contract liabilities		60,739,625.54	60,739,625.54
Employee benefits payable		104,444,058.11	136,950,095.34
Taxes payable		25,763,259.98	24,092,919.85
Other payables		5,142,468,252.10	4,262,472,342.65
Non-current liabilities due within one year		3,230,245,168.12	3,429,550,429.26
Other current liabilities		2,013,886,550.57	2,016,515,923.01
Total current liabilities		11,349,204,699.34	10,895,769,427.50
Non-current liabilities:			
Long-term borrowings		1,651,810,000.00	1,687,920,000.00
Bonds payable		5,651,951,426.96	5,769,517,430.62
Including: Preferred stock		–	–
Perpetual bonds		–	–
Lease liabilities		16,938,620.57	20,519,527.33
Long-term payables		944,646,715.85	944,646,715.85
Long-term employee benefits payable		69,919,951.40	69,919,951.40
Provisions		66,328,787.36	65,381,994.08
Deferred revenue		201,626,916.53	219,296,617.87
Deferred tax liabilities		181,720,867.62	181,670,804.94
Total non-current liabilities		8,784,943,286.29	8,958,873,042.09
Total liabilities		20,134,147,985.63	19,854,642,469.59
Shareholders' equity:			
Equity	V.41	2,180,770,326.00	2,180,770,326.00
Other equity instruments		4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		–	–
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve		1,873,257,038.28	1,894,077,082.82
Other comprehensive income		878,238,969.01	878,238,969.01
Surplus reserve		3,218,191,232.88	3,103,651,659.99
Undistributed profits		6,043,128,981.92	6,568,633,753.08
Total shareholders' equity		18,193,586,548.09	18,625,371,790.90
Total liabilities and shareholders' equity		38,327,734,533.72	38,480,014,260.49

The attached notes are an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2023

RMB

Item	Notes	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated) (Unaudited)
I. Operating income	V.47	4,124,879,965.28	4,094,093,645.65
Less: Cost of services	V.47	2,480,614,043.06	2,501,187,078.75
Taxes and surcharges	V.48	18,977,616.05	19,416,527.58
Selling expenses	V.49	11,826,275.50	17,357,308.95
General and administrative expenses	V.50	182,666,097.06	193,279,791.80
Research and development expenses	V.51	13,910,096.83	18,264,213.07
Financial expenses	V.52	664,489,343.78	718,156,066.56
Including: Interest expenses		588,443,877.82	557,883,672.20
Interest income		34,089,732.59	90,304,072.07
Add: Other income	V.53	13,213,301.70	10,421,804.61
Investment income	V.54	364,156,202.03	338,909,623.64
Including: Income from investment in associates and joint ventures	V.54	341,367,589.39	329,710,423.63
Gains from changes in fair value	V.55	148,232,568.84	110,627,475.53
Credit impairment losses	V.56	(15,552,917.44)	(19,445,983.71)
Losses on impairment of assets	V.57	(41,237,184.70)	(4,493,622.42)
Gains on disposal of assets		12,747,724.64	4,830,762.65
II. Operating profit		1,233,956,188.07	1,067,282,719.24
Add: Non-operating income	V.58	4,788,936.73	6,483,132.26
Less: Non-operating expenses	V.59	37,676,675.46	2,277,853.07
III. Total profit		1,201,068,449.34	1,071,487,998.43
Less: Income tax expenses	V.60	270,245,051.87	191,460,281.50
IV. Net profit		930,823,397.47	880,027,716.93
(I) Classified by business continuity			
1. Net profit from continuing operations		930,823,397.47	880,027,716.93
2. Net profit from discontinued operations		–	–
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		929,275,101.01	848,711,632.68
2. Profit or loss attributable to minority shareholders		1,548,296.46	31,316,084.25

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2023

RMB

Item	Notes	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated) (Unaudited)
V. Other comprehensive income, net of tax		(363,767,151.41)	(370,574,614.29)
Other comprehensive income after tax attributable to shareholders of the parent company		(341,824,332.51)	(345,683,090.80)
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		–	–
(II) Other comprehensive income that will be reclassified to profit or loss		(341,824,332.51)	(345,683,090.80)
1. Other comprehensive income that will be transferred to profit or loss under the equity method	V.44	6,519,370.70	(2,734,108.41)
2. Translation differences of financial statements denominated in foreign currencies	V.44	(348,343,703.21)	(342,948,982.39)
Other comprehensive income after tax attributable to minority shareholders		(21,942,818.90)	(24,891,523.49)
VI. Total comprehensive income		567,056,246.06	509,453,102.64
Total comprehensive income attributable to shareholders of the parent company		587,450,768.50	503,028,541.88
Total comprehensive income attributable to minority shareholders		(20,394,522.44)	6,424,560.76
VII. Earnings per share			
(I) Basic earnings per share		0.384	0.347
(II) Diluted earnings per share		0.384	0.347

The attached notes are an integral part of these financial statements.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

RMB

Item	Notes	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated) (Unaudited)
I. Operating income	XIV.4	731,236,071.35	599,338,169.65
Less: Cost of services	XIV.4	322,818,445.06	261,387,166.13
Tax and surcharges		3,292,375.87	2,934,697.21
General and administrative expenses		100,540,145.87	96,227,022.43
Financial expenses		266,989,595.92	295,558,297.55
Including: Interest expenses		242,993,789.54	298,829,156.74
Interest income		(69,241,163.83)	111,435,391.95
Add: Other income		1,311,394.69	1,676,408.17
Investment income	XIV.5	572,566,781.12	200,444,337.04
Including: Income from investment in associates and joint ventures		139,285,601.06	120,172,722.38
Gains from changes in fair value		100,429,019.47	107,972,297.09
Gains on disposal of assets		12,990,053.74	2,531,449.79
II. Operating profit		724,892,757.65	255,855,478.42
Add: Non-operating income		31,484.07	727,971.51
Less: Non-operating expenses		1,762,123.89	–
III. Total profit		723,162,117.83	256,583,449.93
Less: Income tax expenses		34,100,314.40	(9,674,208.44)
IV. Net profit		689,061,803.43	266,257,658.37
1. Net profit from continuing operations		689,061,803.43	266,257,658.37
2. Net profit from discontinued operations		–	–
V. Other comprehensive income, net of tax		–	–
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		–	–
(II) Other comprehensive income that will be reclassified to profit or loss		–	–
1. Other comprehensive income that will be transferred to profit or loss under the equity method		–	–
VI. Total comprehensive income		689,061,803.43	266,257,658.37

The attached notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2023

RMB

Item	Notes	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
I. Cash flows from operating activities			
Cash received from rendering services and selling goods		3,930,689,926.90	3,452,135,400.69
Refund of taxes		21,163,090.97	182,773,572.68
Other cash received relating to operating activities	V.61(1)	145,143,054.37	177,407,242.70
Sub-total of cash inflows		4,096,996,072.24	3,812,316,216.07
Cash payments for goods and services		897,840,403.43	988,777,795.15
Cash payments to and on behalf of employees	5	77,943,426.28	592,953,677.01
Payments of taxes and surcharges		377,571,767.51	419,094,171.81
Other cash payments relating to operating activities	V.61(2)	340,288,688.94	218,975,961.09
Sub-total of cash outflows		2,193,644,286.16	2,219,801,605.06
Net cash flows from operating activities	V.62(1).1	1,903,351,786.08	1,592,514,611.01
II. Cash flows from investing activities			
Cash received from recovery of investments		2,126,942,889.20	445,955,766.99
Cash received from returns on investments		281,571,214.85	124,294,653.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,131,976.71	32,210.95
Other cash received relating to investing activities	V.61(3)	224,231,448.60	47,486,067.89
Sub-total of cash inflows		2,645,877,529.36	617,768,699.02
Cash payments to acquire fixed assets, intangible assets and other long-term assets		774,111,746.73	1,105,621,007.37
Cash payments for investing activities		1,408,169,412.21	667,860,082.90
Net cash payments to acquire subsidiaries and other business units		–	1,466,006,955.25
Other cash payments relating to investing activities	V.61(4)	1,727,307.24	–
Sub-total of cash outflows		2,184,008,466.18	3,239,488,045.52
Net cash flows from investing activities		461,869,063.18	(2,621,719,346.50)

Item	Notes	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
III. Cash flows from financing activities			
Cash received from capital contributions		–	3,561,468.00
Including: Cash received by subsidiaries from capital contributions by minority shareholders		–	3,561,468.00
Cash received from borrowings		7,615,337,296.06	10,432,391,708.63
Other cash received relating to financing activities	V.61(5)	–	12,071,778.17
Sub-total of cash inflows		7,615,337,296.06	10,448,024,954.80
Cash repayments of borrowings		8,077,652,784.76	8,662,470,406.70
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,459,017,522.81	637,415,490.01
Including: Payments for distribution of dividends or profits to minority shareholders by subsidiaries		20,800,193.73	58,025,663.44
Other cash payments relating to financing activities	V.61(6)	83,854,062.81	131,978,801.61
Sub-total of cash outflows		9,620,524,370.38	9,431,864,698.32
Net cash flows from financing activities		(2,005,187,074.32)	1,016,160,256.48
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		5,904,032.94	63,084,825.22
V. Net increase in cash and cash equivalents	V.62(1).2	365,937,807.88	50,040,346.21
Add: Cash and cash equivalents at beginning of the period		3,197,002,667.41	5,456,959,403.09
VI. Cash and cash equivalents at end of the period	V.62(1).2	3,562,940,475.29	5,506,999,749.30

The attached notes are an integral part of these financial statements.

Company's Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2023

RMB

Item	Notes	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
I. Cash flows from operating activities			
Cash received from rendering services and selling goods		679,621,564.21	580,205,927.48
Refund of taxes		4,458,976.91	–
Other cash received relating to operating activities		16,822,611.87	212,023,826.94
Sub-total of cash inflows		700,903,152.99	792,229,754.42
Cash payments for goods and services		89,765,397.27	81,046,182.13
Cash payments to and on behalf of employees		143,686,372.38	149,348,521.00
Payments of taxes and surcharges		40,973,710.93	16,593,738.88
Other cash payments relating to operating activities		139,365,176.65	240,669,843.52
Sub-total of cash outflows		413,790,657.23	487,658,285.53
Net cash flows from operating activities		287,112,495.76	304,571,468.89
II. Cash flows from investing activities			
Cash received from recovery of investments		1,080,000,000.00	–
Cash received from returns on investments		506,566,430.95	337,259,563.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,082,705.00	–
Other cash received relating to investing activities		452,150,013.84	734,872,396.04
Sub-total of cash inflows		2,051,799,149.79	1,072,131,959.10
Cash payments to acquire fixed assets, intangible assets and other long-term assets		241,049,054.39	415,199,325.67
Cash payments for investing activities		900,000,000.00	57,083,000.00
Other cash payments relating to investing activities		195,000,000.00	520,000,000.00
Sub-total of cash outflows		1,336,049,054.39	992,282,325.67
Net cash flows from investing activities		715,750,095.40	79,849,633.43

Item	Notes	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		3,323,000,000.00	3,694,243,985.33
Other cash received relating to financing activities		144,763,966.27	80,000,000.00
Sub-total of cash inflows		3,467,763,966.27	3,774,243,985.33
Cash repayments of borrowings		3,828,699,282.85	3,476,897,683.96
Cash payments for distribution of dividends or profits or settlement of interest expenses		975,057,158.84	344,446,225.01
Other cash payments relating to financing activities		5,871,175.77	48,041,556.71
Sub-total of cash outflows		4,809,627,617.46	3,869,385,465.68
Net cash flows from financing activities		(1,341,863,651.19)	(95,141,480.35)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		10,349.41	13,195.96
V. Net increase (decrease) in cash and cash equivalents		(338,990,710.62)	289,292,817.93
Add: Cash and cash equivalents at beginning of the period		1,700,172,378.10	1,274,483,092.45
VI. Cash and cash equivalents at end of the period		1,361,181,667.48	1,563,775,910.38

The attached notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023

RMB

Item	For the six months ended 30 June 2023 (Unaudited)									
	Attributable to shareholders of the parent company								Minority interests	Total shareholders' equity
	Equity	Other equity instruments Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total			
I. Balance on 31 December 2022 (Audited)	2,180,770,326.00	4,000,000,000.00	4,390,599,135.60	(408,012,206.05)	3,103,651,659.99	8,079,278,802.54	21,346,287,718.08	6,014,620,231.70	27,360,907,949.78	
Add: Changes in accounting policies	-	-	-	-	-	2,179,848.75	2,179,848.75	1,049,902.99	3,229,751.74	
II. Balance on 1 January 2023 (Restated) (Unaudited)	2,180,770,326.00	4,000,000,000.00	4,390,599,135.60	(408,012,206.05)	3,103,651,659.99	8,081,458,651.29	21,348,467,566.83	6,015,670,134.69	27,364,137,701.52	
III. Changes for the period	-	-	(25,820,044.54)	(341,824,332.51)	114,539,572.89	(273,334,174.67)	(526,438,978.83)	(101,994,136.30)	(628,433,115.13)	
(I) Total comprehensive income	-	-	-	(341,824,332.51)	-	929,275,101.01	587,450,768.50	(20,394,522.44)	567,056,246.06	
(II) Shareholders' contributions and reduction in capital	-	-	(25,820,044.54)	-	-	11,957,298.93	(13,862,745.61)	(32,585,775.17)	(46,448,520.78)	
1. Ordinary shares contributed by shareholders	-	-	-	-	-	11,957,298.93	11,957,298.93	(11,957,298.93)	-	
2. Ordinary shares reduced by shareholders	-	-	-	-	-	-	-	(20,628,476.24)	(20,628,476.24)	
3. Others	-	-	(25,820,044.54)	-	-	-	(25,820,044.54)	-	(25,820,044.54)	
(III) Profit distribution	-	-	-	-	114,539,572.89	(1,214,566,574.61)	(1,100,027,001.72)	(49,013,838.69)	(1,149,040,840.41)	
1. Transfer to surplus reserve	-	-	-	-	114,539,572.89	(114,539,572.89)	-	-	-	
2. Profit distribution to shareholders	-	-	-	-	-	(1,100,027,001.72)	(1,100,027,001.72)	(49,013,838.69)	(1,149,040,840.41)	
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	
1. Transfer of capital reserve to equity	-	-	-	-	-	-	-	-	-	
2. Transfer of surplus reserve to equity	-	-	-	-	-	-	-	-	-	
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	
(V) Others	-	-	-	-	-	-	-	-	-	
IV. Balance on 30 June 2023 (Unaudited)	2,180,770,326.00	4,000,000,000.00	4,364,779,091.06	(749,836,538.56)	3,218,191,232.88	7,808,124,476.62	20,822,028,588.00	5,913,675,998.39	26,735,704,586.39	

For the six months ended 30 June 2022 (Restated) (Unaudited)									
Attributable to shareholders of the parent company									
Item	Equity	Other equity instruments Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total	Minority interests	Total shareholders' equity
I. Balance on 31 December 2021 (Audited)	2,180,770,326.00	4,000,000,000.00	6,121,182,678.26	865,342,698.21	2,931,599,472.69	8,540,070,494.76	24,638,965,669.92	3,132,810,669.87	27,771,776,339.79
Add: Business combination under common control	-	-	2,742,974,733.25	(438,822,917.09)	-	(1,377,744,043.76)	926,407,772.40	2,841,514,435.00	3,767,922,207.40
Changes in accounting policies	-	-	-	-	-	249,863.35	249,863.35	(608,049.74)	(358,186.39)
II. Balance on 1 January 2022 (Restated) (Unaudited)	2,180,770,326.00	4,000,000,000.00	8,864,157,411.51	426,519,781.12	2,931,599,472.69	7,162,576,314.35	25,565,623,305.67	5,973,717,055.13	31,539,340,360.80
III. Changes for the period	-	-	(2,742,141,080.22)	(345,683,090.80)	172,052,187.30	(149,664,701.98)	(3,065,436,685.70)	(265,491,713.65)	(3,330,928,399.35)
(I) Total comprehensive income	-	-	-	(345,683,090.80)	-	848,711,632.68	503,028,541.88	6,424,560.76	509,453,102.64
1. Net profit	-	-	-	-	-	848,711,632.68	848,711,632.68	31,316,084.25	880,027,716.93
2. Other comprehensive income	-	-	-	(345,683,090.80)	-	-	(345,683,090.80)	(24,891,523.49)	(370,574,614.29)
(II) Shareholders' contributions and reduction in capital	-	-	833,653.03	-	-	(16,191,675.62)	(15,358,022.59)	(156,462,993.78)	(171,821,016.37)
1. Ordinary shares contributed by shareholders	-	-	1,364,120.94	-	-	-	1,364,120.94	(150,137,793.39)	(148,773,672.45)
2. Others	-	-	(530,467.91)	-	-	(16,191,675.62)	(16,722,143.53)	(6,325,200.39)	(23,047,343.92)
(III) Profit distribution	-	-	-	-	172,052,187.30	(1,616,640,900.53)	(1,444,588,713.23)	(171,703,280.64)	(1,616,291,993.87)
1. Transfer to surplus reserve	-	-	-	-	172,052,187.30	(172,052,187.30)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,444,588,713.23)	(1,444,588,713.23)	(171,703,280.64)	(1,616,291,993.87)
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to equity	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to equity	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(V) Effects of business combination not under common control	-	-	-	-	-	-	-	56,250,000.01	56,250,000.01
(VI) Effects of business combination under common control	-	-	(2,742,974,733.25)	-	-	634,456,241.49	(2,108,518,491.76)	-	(2,108,518,491.76)
IV. Balance on 30 June 2022 (Unaudited)	2,180,770,326.00	4,000,000,000.00	6,122,016,331.29	80,836,690.32	3,103,651,659.99	7,012,911,612.37	22,500,186,619.97	5,708,225,341.48	28,208,411,961.45

The attached notes are an integral part of these financial statements.

Company's Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023

RMB

Item	For the six months ended 30 June 2023 (Unaudited)							Total shareholders' equity
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits		
I. Balance on 31 December 2022 (Audited)	2,180,770,326.00	4,000,000,000.00	1,894,077,082.82	878,238,969.01	3,103,651,659.99	6,568,408,579.38	18,625,146,617.20	
Add: Changes in accounting policies	-	-	-	-	-	225,173.70	225,173.70	
II. Balance on 1 January 2023 (Restated) (Unaudited)	2,180,770,326.00	4,000,000,000.00	1,894,077,082.82	878,238,969.01	3,103,651,659.99	6,568,633,753.08	18,625,371,790.90	
III. Changes for the period	-	-	(20,820,044.54)	-	114,539,572.89	(525,504,771.16)	(431,785,242.81)	
(I) Total comprehensive income	-	-	-	-	-	689,061,803.43	689,061,803.43	
(II) Shareholders' contributions and reduction in capital	-	-	(20,820,044.54)	-	-	-	(20,820,044.54)	
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	
2. Others	-	-	(20,820,044.54)	-	-	-	(20,820,044.54)	
(III) Profit distribution	-	-	-	-	114,539,572.89	(1,214,566,574.59)	(1,100,027,001.70)	
1. Profit distribution to shareholders	-	-	-	-	-	(1,100,027,001.70)	(1,100,027,001.70)	
2. Transfer to surplus reserve	-	-	-	-	114,539,572.89	(114,539,572.89)	-	
(IV) Others	-	-	-	-	-	-	-	
IV. Balance on 30 June 2023 (Unaudited)	2,180,770,326.00	4,000,000,000.00	1,873,257,038.28	878,238,969.01	3,218,191,232.88	6,043,128,981.92	18,193,586,548.09	

Item	For the six months ended 30 June 2022 (Restated) (Unaudited)							Total shareholders' equity
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits		
I. Balance on 1 January 2022 (Audited)	2,180,770,326.00	4,000,000,000.00	2,812,538,343.92	891,992,169.01	2,931,599,472.69	6,947,142,639.95	19,764,042,951.57	
II. Changes for the period	-	-	1,364,120.94	-	172,052,187.30	(1,350,383,242.16)	(1,176,966,933.92)	
(I) Total comprehensive income	-	-	-	-	-	266,257,658.37	266,257,658.37	
(II) Shareholders' contributions and reduction in capital	-	-	1,364,120.94	-	-	-	1,364,120.94	
1. Ordinary shares contributed by shareholders	-	-	1,364,120.94	-	-	-	1,364,120.94	
(III) Profit distribution	-	-	-	-	172,052,187.30	(1,616,640,900.53)	(1,444,588,713.23)	
1. Transfer to surplus reserve	-	-	-	-	172,052,187.30	(172,052,187.30)	-	
2. Profit distribution to shareholders	-	-	-	-	-	(1,444,588,713.23)	(1,444,588,713.23)	
III. Balance on 30 June 2022 (Unaudited)	2,180,770,326.00	4,000,000,000.00	2,813,902,464.86	891,992,169.01	3,103,651,659.99	5,596,759,397.79	18,587,076,017.65	

The attached notes are an integral part of these financial statements.

Notes to Financial Statements

For the six months ended 30 June 2023

I. GENERAL INFORMATION OF THE COMPANY

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

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

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

These financial statements have been approved for issue by the Company’s Board of Directors on 25 August 2023.

The details of scope of the consolidated financial statements are set out in Note VII “equity in other entities”. The details of changes in the consolidation scope of the financial statements are set out in Note VI “changes in scope of consolidation”.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Preparation basis

The Group implements the accounting standards for business enterprises and related regulations issued by the Ministry of Finance. In addition, the related financial information has been disclosed in accordance with the requirements of the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 15 – General Provisions on Financial Reporting* (Revised in 2014), *Hong Kong Companies Ordinance* and the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

Going concern

As at 30 June 2023, the Group had total current liabilities in excess of total current assets by RMB14,594,197,621.30. The Group has unused bank credit lines totaling RMB32.66 billion as at 30 June 2023, which are not reserved by the banks and are therefore able to satisfy the Group’s debt and capital commitments. As the Group can solve the lack of working capital through reasonable financing arrangements, the financial statements have been prepared on a going concern basis.

Notes to Financial Statements

For the six months ended 30 June 2023

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Basis of accounting and principle of measurement

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

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

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

Fair value measurements are categorized into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs within Level 1, that are observable for the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely the consolidated and Company's financial position as at 30 June 2023, and the consolidated and Company's operating results, the consolidated and Company's changes in shareholders' equity and the consolidated and Company's cash flows for the six months ended 30 June 2023 in accordance with the Accounting Standards for Business Enterprises.

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting treatment of business combinations involving entities under common control and business combinations not involving entities under common control (continued)

5.1 Business combinations involving entities under common control

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

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

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

5.2 Business combinations not involving entities under common control and goodwill

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will conduct reassessment.

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

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

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

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (continued)

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (continued)

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

7. Classification of joint arrangements

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

The Group's joint arrangement is joint venture, which is accounted for using the equity method. Refer to Note III, 14.3.2 "Long-term equity investments accounted for using the equity method".

8. Recognition criteria of cash and cash equivalents

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Translation of transactions and financial statements denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

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

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

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

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

9.2 Translation of financial statements denominated in foreign currencies

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Translation of transactions and financial statements denominated in foreign currencies (continued)

9.2 Translation of financial statements denominated in foreign currencies (continued)

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

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

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

10. Financial instruments

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

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

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

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

10.1 Classification, recognition and measurement of financial assets

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.1 Classification, recognition and measurement of financial assets (continued)

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

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

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

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

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

10.1.1 Financial assets at amortized cost

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.1 Classification, recognition and measurement of financial assets (continued)

10.1.2 Financial assets at FVTOCI

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

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

10.1.3 Financial assets at FVTPL

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

10.2 Impairment of financial instruments

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.2 Impairment of financial instruments (continued)

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

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

10.2.1 Significant increase in credit risk

The Group uses reasonable and supportable forward-looking information to assess whether the credit risk has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring on the financial instrument at the date of initial recognition.

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

- (1) Significant changes in internal price indicators resulting from changes in credit risk;
- (2) Significant changes in the rates or other terms of an existing financial instrument if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher rate of return, etc.);
- (3) Significant changes in the external market indicators of credit risk of the same financial instrument or similar financial instruments with the same expected duration. These indicators include: credit spreads, credit default swap prices against borrower, length of time and extent to which the fair value of financial assets is less than their amortized cost, and other market information related to the borrower (such as the borrower's debt instruments or changes in the price of equity instruments);
- (4) An actual or expected significant change in the financial instrument's external credit rating;
- (5) An actual or expected decrease in the internal credit rating for the debtor;
- (6) Adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.2 Impairment of financial instruments (continued)

10.2.1 Significant increase in credit risk (continued)

- (7) An actual or expected significant change in the operating results of the debtor;
- (8) Significant increase in the credit risk of other financial instruments issued by the same debtor;
- (9) Significant adverse changes in regulatory, economic, or technological environment of the debtor;
- (10) Significant changes in the value of collaterals or the quality of guarantees or credit enhancements provided by third parties, which are expected to reduce the debtor's economic motives to repay within the time limit specified in contract or affect the probability of default;
- (11) Significant change in the debtor's economic motives to repay within the time limit specified in contract;
- (12) Expected changes to loan contract, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract;
- (13) Significant change in expected performance and repayment of the debtor;
- (14) Significant change in the method used by the Group to manage the credit of financial instrument.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days (inclusive) past due.

10.2.2 Credit-impaired financial asset

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.2 Impairment of financial instruments (continued)

10.2.2 Credit-impaired financial asset (continued)

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

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

10.2.3 Determination of expected credit losses

The Group assesses the expected credit losses for financial instruments individually and collectively. The Group considers the credit risk characteristics of different customers and evaluates the expected credit losses for accounts receivable on the basis of the aging. See the following table:

Bad debt provision for receivables assessed on a portfolio basis based on credit risk characteristics

Portfolio I	Receivables from government and related parties	Specific identification
Portfolio II	Receivables from customers in wind turbine generators sales industry	Aging analysis
Portfolio III	Receivables from kitchen waste disposal clients	Aging analysis
Portfolio IV	Receivables from other third parties other than those in Portfolio I, II and III	Aging analysis

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

- For financial assets, the credit loss represents the present value of the difference between the contractual cash flows receivable by the Group and the cash flows expected to be received by the Group.
- For lease receivables, credit losses are the present value of the difference between the contractual cash flows receivable by the Group and the cash flows expected to be collected.
- For financial guarantee contracts (see Note III, 10.4.1.2.1 for specific accounting policies), credit losses are the present value of the difference between the expected payment to be made by the Group to the contract holder for the credit losses incurred, and the amount the Group expects to receive from the contract holder, the debtor or any other parties.

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.2 Impairment of financial instruments (continued)

10.2.4 Write-down of financial assets

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

10.3 Transfer of financial assets

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.3 Transfer of financial assets (continued)

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

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

10.4 Classification of financial liabilities and equity instruments

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

10.4.1 Classification, recognition and measurement of financial liabilities

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

10.4.1.1 Financial liabilities at FVTPL

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.4 Classification of financial liabilities and equity instruments (continued)

10.4.1 Classification, recognition and measurement of financial liabilities (continued)

10.4.1.1 Financial liabilities at FVTPL (continued)

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

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

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

10.4.1.2 Other financial liabilities

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.4 Classification of financial liabilities and equity instruments (continued)

10.4.1 Classification, recognition and measurement of financial liabilities (continued)

10.4.1.2 Other financial liabilities (continued)

10.4.1.2.1 Financial guarantee contracts

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

10.4.2 Derecognition of financial liabilities

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

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

10.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

10.5 Derivatives and embedded derivatives

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

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

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

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

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

10.6 Offsetting financial assets and financial liabilities

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

11. Inventories

11.1 Categories of inventories

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (continued)

11.1 Categories of inventories (continued)

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

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

11.2 Valuation method of inventories upon delivery

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

11.3 Basis for the determination of net realizable value

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

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

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories are appropriated at cost of individual inventory item over its net realizable value.

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

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (continued)

11.5 Amortization method for low value consumables and packaging materials

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

12. Contract assets

12.1 Determination method and standards of contract assets

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

12.2 Determination and accounting methods of expected credit loss of contract assets

For the determination and accounting methods of expected credit loss of contract assets, refer to Note III, "10.2 Impairment of financial instruments".

13. Assets classified as held-for-sale

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

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

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets is made. When there is increase in the net amount of fair value of non-current Transactional financial assets less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. Impairment losses of assets recognized before they are classified as held for sale will not be reversed.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments

14.1 Determination criteria of joint control and significant influence

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

14.2 Determination of initial investment costs

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (continued)

14.2 Determination of initial investment costs (continued)

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

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

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

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 Long-term equity investment accounted for using the cost method

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (continued)

14.3 Subsequent measurement and recognition of profit or loss (continued)

14.3.2 Long-term equity investments accounted for using the equity method

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (continued)

14.3 Subsequent measurement and recognition of profit or loss (continued)

14.3.2 Long-term equity investments accounted for using the equity method (continued)

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

14.4 Disposal of long-term equity investments

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (continued)

14.4 Disposal of long-term equity investments (continued)

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Investment properties

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

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

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are amortized to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortization rate of the investment properties are as follows:

	Estimated useful life (year)	Estimated residual value rate (%)	Annual amortization rate (%)
Car parking spaces	30	–	3.33
Buildings	20	5.00	4.75

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

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

16. Fixed assets

16.1 Recognition criteria

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Fixed assets (continued)

16.2 Depreciation methods

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

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

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

16.3 Other particulars

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Construction in progress

Construction in progress is measured at its actual construction expenditures, including various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

18. Borrowing costs

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

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

19. Intangible assets

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (continued)

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

(1) Franchise rights

(a) Toll road

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

When toll roads are ready for their intended use, amortization of franchise rights is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage (“unit usage”), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or carrying amount of the franchise rights, combined with the actual traffic volume during each accounting period.

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (continued)

(1) Franchise rights (continued)

(a) Toll road (continued)

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

Item	Operating period	Unit usage (RMB)
Meiguan Expressway	May 1995 to March 2027	0.53
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	2.95
Qinglian Expressway	July 2009 to July 2034	39.28
Shuiguan Expressway	March 2002 to February 2027	5.66
Yichang Expressway	January 2004 to December 2033	10.88
Changsha Ring Road (North-western Section) ("Changsha Ring Road")	November 1999 to October 2029	2.39
Coastal Expressway	December 2013 to December 2038	6.09
Outer Ring Phase I (Note 1) (Note 2)	December 2020 to December 2045	3.95
Outer Ring Phase II (Note 1) (Note 2)	December 2020 to December 2045	1.11
Longda Expressway	October 2005 to October 2027	0.25

Note 1: As stated in Note III, 32.2, since 1 January 2023, the Group adjusted the unit amortization amount of Outer Ring Phase I from RMB7.02 to RMB3.95, and the unit amortization amount of Outer Ring Phase II from RMB1.36 to RMB1.11.

Note 2: Tolling years of Outer Ring Expressway have not yet been approved.

(b) Kitchen waste disposal project

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (continued)

(2) Other intangible assets

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

Item	Amortization method	Useful life (year)	Estimated net residual value rate (%)
Billboard use right	Straight-line	5	–
Patent use right	Straight-line	5–10	–
Land use rights	Straight-line	50	–
Contract rights	Straight-line	10	–
Software and others	Straight-line	2–10	–

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

For details of the impairment test of intangible assets, see Note III, 20 “Impairment of long-term assets”.

(3) Internal research and development expenditure

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (continued)

(3) Internal research and development expenditure (continued)

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

20. Impairment of long-term assets

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

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

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

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

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

21. Long-term prepaid expenses

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Contract liabilities

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

23. Employee benefits

23.1 Accounting treatment of short-term employee benefits

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

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

23.2 Accounting treatment of post-employment benefits

Post-employment benefits are all defined contribution plans.

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

23.3 Accounting treatment of termination welfare

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

23.4 Accounting treatment of other long-term employee benefits

As to other welfare for the long-term employee, the group would apply to the related rules of deposit-benefit plan if they fulfill the requirement, besides, the net liability or asset would be confirmed. At the end of the report period, the compensation of other long-term employees should be confirmed in costs. And the net carrying amount of the total of their net liability, assets or the variation due to recalculation would be counted in current gains/losses or other assets costs. Other long-term employee benefits that meet the above criteria of defined contribution plan are accounted for in accordance with requirements relating to defined contribution plan as described above.

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Provisions

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

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

25. Preferred stock, perpetual bonds and other financial instruments

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue

26.1 Accounting policies used for revenue recognition and measurement

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

The Group recognizes revenue based on the transaction price allocated to the performance obligation when the Group satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services. A performance obligation is a commitment that the Group transfers a distinct good or service to a customer in the contract. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

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

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue (continued)

26.1 Accounting policies used for revenue recognition and measurement (continued)

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue (continued)

26.1 Accounting policies used for revenue recognition and measurement (continued)

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Contract cost

27.1 Costs of obtaining contracts

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

27.2 Costs to fulfill contracts

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

27.3 Impairment loss of assets related to contract costs

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

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

28. Categories of government grants and accounting treatment methods

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Categories of government grants and accounting treatment methods (continued)

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

28.1 Accounting treatment and determining basis of government grant related to assets

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

A government grant related to an asset is recognized as deferred revenue and will be included in profit or loss according to the progress of depreciation and amortization of such asset by stages over the useful life of the related asset.

28.2 Accounting treatment and determining basis of government grant related to income

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

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

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

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

29. Deferred tax assets/deferred tax liabilities

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

29.1 Current income tax

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets/deferred tax liabilities (continued)

29.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets/deferred tax liabilities (continued)

29.3 Offsetting of income tax

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

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

30. Leases

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

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

30.1 The Group as a lessee

30.1.1 Separating components of a lease

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

30.1.2 Right-of-use assets

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

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

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group;

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (continued)

30.1 The Group as a lessee (continued)

30.1.2 Right-of-use assets (continued)

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs incurred to produce inventories.

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

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

30.1.3 Lease liabilities

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (continued)

30.1 The Group as a lessee (continued)

30.1.3 Lease liabilities (continued)

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

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

30.1.4 Short-term leases and leases of low value assets

The Group chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain a call option. A lease of low-value assets, is a lease that the single underlying asset, when is new, is no more than RMB50,000.00. The Group shall recognize the lease payments associated with short-term leases and leases of low-value assets in profit or loss or cost of related assets on a straight-line basis over the lease term.

30.1.5 Lease modifications

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

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (continued)

30.2 The Group as a lessor

30.2.1 Separating components of a lease

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

30.2.2 Classification of a lease

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

30.2.2.1 The Group as a lessor under operating leases

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

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

30.2.2.2 The Group as a lessor under finance leases

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

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

- fixed payments (including in-substance fixed payments) paid by the lessee, less any lease incentives;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- the amount to be paid by the lessee to exercise the option to terminate the lease, provided that the lease term reflects the lessee's exercise of the option to terminate the lease;
- the residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (continued)

30.2 The Group as a lessor (continued)

30.2.2 Classification of a lease (continued)

30.2.2.2 The Group as a lessor under finance leases (continued)

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

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

30.2.3 Subleases

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

30.2.4 Lease modifications

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

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

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

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

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

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (continued)

30.2 The Group as a lessor (continued)

30.2.5 Sale and leaseback transactions

30.2.5.1 The Group as seller-lessee

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

30.2.5.2 The Group as buyer-lessor

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

31. Other significant accounting policies and accounting estimates

Segment information

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates

32.1 Changes in significant accounting policies

Interpretation No. 16 of the Accounting Standards for Business Enterprises

The Interpretation No. 16 was issued by the Ministry of Finance on 30 November 2022, which stipulated the accounting treatment concerning the initial recognition exemption of deferred income tax relating to assets and liabilities arising from a single transaction.

Interpretation No. 16 revised the coverage of exemption of the initial recognition of deferred income tax in the *Accounting Standards for Business Enterprises No. 18 – Income Tax*, and specified that the relevant provisions on the exemption of initial recognition of deferred tax liabilities and deferred tax assets are not applicable to a single transaction (not a business combination) that affects neither the accounting profit nor taxable income (or deductible losses) at the time of transaction, and where the assets and liabilities initially recognized generate equal taxable temporary differences and deductible temporary differences. The Interpretation became effective from 1 January 2023 and could be early applied. The Group started to apply the Interpretation on 1 January 2023, and accounted for the single transactions retrospectively that occurred between the beginning of the earliest presentation period of the financial statements and 31 December 2022, and restated the financial statements for the comparable periods. The specific impact is as follows:

RMB

Items affected	1 January 2022	Adjustment	1 January 2022
Deferred tax assets	451,230,984.30	6,766,463.10	457,997,447.40
Deferred tax liabilities	1,286,986,799.74	–	1,286,986,799.74
Undistributed profits	7,157,542,961.33	5,033,353.02	7,162,576,314.35
Minority interests	5,971,983,945.05	1,733,110.08	5,973,717,055.13

RMB

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

RMB

Items affected	For the six months ended 30 June 2022	Adjustment	For the six months ended 30 June 2022
Income tax expenses	191,639,736.10	(179,454.60)	191,460,281.50

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

32.2 Changes in significant accounting estimates

Content and reasons for changes in accounting estimates	Approval procedures	Time point at which application begins	Remark
Change in accounting estimate of unit amortization amount of franchise rights—Outer Ring Expressway	The 31st meeting of the 9th Session of Board of Directors	1 January 2023	–

Change in accounting estimate of unit amortization amount of Outer Ring Expressway:

In view of that the actual traffic volume of Outer Ring Expressway (including Outer Ring Phase I and Phase II) in recent years differs greatly from the total projected traffic volume and expected to persist for some time, the Group re-predicts the total projected traffic volume of Outer Ring Expressway in the remaining operation period. The Group adjusted the unit amortization amount of Outer Ring Expressway Phase I from RMB7.02/vehicle to RMB3.95/vehicle and the unit amortization amount of Outer Ring Expressway Phase II from RMB1.36/vehicle to RMB1.11/vehicle based on the updated total projected traffic volume. This change in accounting estimates is effective from 1 January 2023, and the impact of which on the Group's consolidated financial statements for the six months ended 30 June 2023 is as follows:

RMB

Items in the consolidated statements of financial position	Amounts affected
Increase in intangible assets	60,681,796.71
Decrease in deferred tax assets	15,170,449.18
Increase in equity attributable to shareholders of the parent company	45,511,347.53

Items in the consolidated statement of profit or loss and other comprehensive income	Amounts affected
Decrease in operating costs	60,681,796.71
Increase in income tax expenses	15,170,449.18
Increase in net profit	45,511,347.53
Increase in net profit attributable to shareholders of the parent company	45,511,347.53

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

32.2 Changes in significant accounting estimates (continued)

Changes in accounting estimates for the amortization period of intangible assets of Nanjing Wind Power Technology Co., Ltd. (“Nanjing Wind Power”)

With the increasing trend of large wind turbines and rapid technological iteration, the overall demand for low-power wind turbines of Nanjing Wind Power is limited, and research and development investment related to high-power wind turbine equipment is still in trial operation. Considering the current changes in the wind turbine market and the actual operating situation of Nanjing Wind Power, based on the principle of prudence, the Group has made changes to the amortization period of intangible assets such as patent rights, proprietary technology, and non-patented technology related to the design and manufacturing of wind turbines of Nanjing Wind Power, with the remaining 75 months and 114 months uniformly changed to the remaining 36 months from 1 January 2023. Changes in the accounting estimate will be applied from 1 January 2023. The impact of changes in the accounting estimate on the Group’s consolidated financial statements for the period from 1 January 2023 to 30 June 2023 is as follows:

RMB

Items in the consolidated statements of financial position	Amounts affected
Decrease in intangible assets	5,203,531.39
Decrease in deferred tax liabilities	413,811.55
Decrease in equity attributable to shareholders of the parent company	2,442,757.12
Decrease in minority interests	2,346,962.72
Items in the consolidated statement of profit or loss and other comprehensive income	Amounts affected
Increase in operating costs	5,203,531.39
Decrease in income tax expenses	413,811.55
Decrease in net profit	4,789,719.84
Decrease in net profit attributable to shareholders of the parent company	2,442,757.12
Decrease in minority interests	2,346,962.72

Notes to Financial Statements

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

33.1 Critical judgements in applying accounting policies

(1) *Business model*

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

(2) *Principal/agent*

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates (continued)

33.2 Key assumptions and uncertainties in accounting estimates

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

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

As stated in Note III, 19(1)(a), amortization of franchise rights associated with toll roads is provided under the traffic volume method. Appropriate adjustments to the amortization of franchise rights associated with toll roads will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume.

(2) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset groups (sets of asset groups) to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups (sets of asset groups) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(3) *Impairment of long-term equity investments*

The Group assesses at the end of the reporting period whether there is any objective evidence that a long-term equity investment is impaired. An impairment test should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the long-term equity investments exceeds its recoverable amount, which is the higher of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the long-term equity investments and select the appropriate discount rate to determine the present value of future cash flows.

(4) *Impairment of franchise rights*

When considering the impairment of the franchise rights, the management of the Company calculates the present value of future cash flows to determine the recoverable amount. The assumptions of calculating the franchise rights associated with kitchen waste disposal project include the per unit waste disposal fee, production/processing capacity, operation duration, cost of services, and necessary return rate.

Under the previous assumptions, the Group's management considered that a franchise right had a recoverable amount higher than the carrying amount, and therefore provision for the impairment of a franchise right was not necessary during the current period. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

Notes to Financial Statements

For the six months ended 30 June 2023

IV. TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value added tax ("VAT")	Income from sale of goods and rendering of services (Note 1)	13%
	Income from real estate development	9%
	Taxable advertisement income	6%
	Income from entrusted management service and other businesses	6%
	Income from expressway toll road business	3% (Simple Method)
	Income from leases of tangible movable property	13%
	Income from sale and lease back business of tangible movable property	6%
	Construction income	9%
	Electricity sales income	13%
	Waste disposal operating income (Note 1)	6%
	Property operating lease income	5% (Simple Method)
	City maintenance and construction tax	Amount of commodity turnover tax payable
Educational surcharge	Amount of commodity turnover tax payable	3%
Local educational surcharge	Amount of commodity turnover tax payable	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Enterprise income tax ("EIT")	Taxable income	Except the companies in the following chart, 25%
Land appreciation tax	Gain on the transfer of real estate	Four-level progressive rates, 30%-60%

IV. TAXATION (CONTINUED)

1. Main categories and rates of taxes: (continued)

The entities with different EIT rates are disclosed as follows:

Name of the entity	Income tax rate
Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Wilberforce International Ltd. ("Wilberforce")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Jiehao (British Virgin Islands) Co., Ltd. ("Jiehao")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Shenzhen Investment Holdings Bay Area Management Company Limited ("Bay Area Management")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Shenzhen Investment Holdings Bay Area Service Company Limited ("Bay Area Service")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Shenzhen Investment Holdings Bay Area Financing Company Limited ("Bay Area Financing")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Hopewell Guangzhu Expressway Development Co., Ltd. ("Hopewell Guangzhu Expressway")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Guanjia (British Virgin Islands) Co., Ltd. ("Guanjia")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Hopewell China Development (Superhighway) Limited ("Hopewell China Development")	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%

Note 1: According to the provisions of the *Announcement of the State Taxation Administration on Clarifying Several Issues Concerning the Administration of Collection of Value-Added Tax on the Dealing of Used Vehicles and Other Items* (Announcement No. 9 of the State Administration of Taxation [2020]), where no goods are generated after the professional disposal by means of landfill or incineration, among others, it shall be deemed that the entrusted party provides the "professional technical services" in the "Modern Services", and the VAT rate of 6% shall apply to the disposal expenses it collects.; where goods are generated after the professional disposal and the goods belongs to the entrusting party, it shall be deemed that the entrusted party provides the "processing services", and the VAT rate of 13% shall apply to the disposal expenses it collects; where goods are generated after the professional disposal and the goods belongs to the entrusted party, it shall be deemed that the entrusted party provides the "professional technical services", and the VAT rate of 6% shall apply to the disposal expenses it collects; where the entrusted party sells the goods, it is subject to the VAT rate for goods.

Notes to Financial Statements

For the six months ended 30 June 2023

IV. TAXATION (CONTINUED)

2. Tax preference

(a) Preferential policies on 50% VAT refund on collection

According to the provisions of the *Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Wind Power Generation* (Cai Shui [2015] No. 74), since 1 July 2015, taxpayers who sell their self-produced power products using wind power are subject to a 50% VAT refund policy. Subsidiaries of Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng"), including Baotou Lingxiang New Energy Co. Ltd. ("Baotou Lingxiang"), Damaoqi Nanchuan Wind Power Co., Ltd., Damaoqi Ningyuan Wind Power Co., Ltd., Damaoqi Ningxiang Wind Power Co., Ltd. and Damaoqi Ningfeng Wind Power Co., Ltd. (collectively referred to as "wind power enterprises under Baotou Nanfeng"), Mulei Qianxin Energy Development Co., Ltd. ("Qianxin Company"), Mulei Qianzhi Energy Development Co., Ltd. ("Qianzhi Company"), Mulei Qianhui Energy Development Co., Ltd. ("Qianhui Company"), Ningxia Zhongwei Xintang New Energy Co., Ltd. ("Ningxia Zhongwei") and Yongcheng Zhuneng New Energy Technology Co., Ltd. ("Yongcheng Zhuneng") are wind power enterprises and enjoy the above tax preferences.

(b) Preferential policies on VAT refund for the part of actual tax burden of VAT in excess of 3%

According to the provisions of the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (Cai Shui [2016] No. 36), general taxpayers who provide pipeline transportation service, tangible movable property financing lease service and tangible movable property sale-leaseback financing service will enjoy a VAT refund for the part of actual tax burden of value added tax in excess of 3%. Shenzhen Expressway Financial Leasing Co., Ltd. ("Financial Leasing Company") provides tangible movable property sale-leaseback financing service and thus enjoys the above tax preferences.

(c) Preferential policies on three years exemptions and three years half reduction of enterprise income tax

According to the provisions of the *Enterprise Income Tax Law of the People's Republic of China*, for income of enterprises engaged in the investment and operation of public infrastructure projects supported by the state, from the tax year in which the project obtains the first production and operation income, the enterprise income tax will be exempted from the first to the third year, and the enterprise income tax will be levied by half from the fourth to sixth year. Projects of Wind power enterprises under Baotou Nanfeng, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Yongcheng Zhuneng and Outer Ring Expressway (Phase I) satisfy the tax preferences policies for public infrastructure projects supported by the state. Wind power enterprises under Baotou Nanfeng started grid-connected power generation since 2018 and obtained income from production and operation for the first time, the enterprise income tax will be exempted from 2018 to 2020 and levied by half from 2021 to 2023.

Qianzhi Company, Qianhui Company, Ningxia Zhongwei and Yongcheng Zhuneng started grid-connected power generation since 2020 and obtained income from production and operation for the first time, the enterprise income tax will be exempted from 2020 to 2022 and levied by half from 2023 to 2025.

Outer Ring Expressway (Phase I) started operation since 29 December 2020 and obtained income from operation for the first time, the enterprise income tax will be exempted from 2020 to 2022 and levied by half from 2023 to 2025.

IV. TAXATION (CONTINUED)

2. Tax preference (continued)

(c) Preferential policies on three years exemptions and three years half reduction of enterprise income tax (continued)

According to the provisions of Article 88 of the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China*, enterprises that engage in eligible environmental protection, energy conservation and water saving projects shall, from the tax year in which the production and business income of the project is obtained for the first time, be exempted from enterprise income tax for the first year to the third year, and halved from the fourth year to the sixth year. Longyou Bioland Environmental Technology Co., Ltd. ("Longyou Bioland") and Taizhou Bioland Environmental Technology Co., Ltd. ("Taizhou Bioland") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2018 to 2020 and levied by half from 2021 to 2023.

Huangshi Huantou Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") engages in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2019 to 2021 and levied by half from 2022 to 2024.

Handan Bioland Renewable Resources Co., Ltd. ("Handan Bioland"), Zhuji Bioland Renewable Resources Co., Ltd. ("Zhuji Bioland"), Shangrao Bioland Environmental Protection Technology Co., Ltd. ("Shangrao Bioland"), Xinyu Bioland Renewable Resources Co., Ltd. ("Xinyu Bioland"), Fuzhou Bioland Environmental Protection Technology Co., Ltd. ("Fuzhou Bioland") and Sichuan Lansheng Environmental Protection Technology Co., Ltd. ("Sichuan Lansheng") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2021 to 2023 and levied by half from 2024 to 2026.

Guilin Bioland Renewable Energy Co., Ltd. ("Guilin Bioland") and Inner Mongolia Chenghuan Bioland Renewable Resources Co., Ltd. ("Inner Mongolia Chenghuan Bioland") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2022 to 2024 and levied by half from 2025 to 2027.

(d) Preferential policies on reduction and exemption of enterprise income tax for ethnic minority regions

According to the provisions of the *Notice of Joint Implementation of Preferential Enterprise Income Tax Policies for Ethnic Minority Autonomous Regions by Guangdong Department of Finance, Guangdong Local Taxation Bureau and Guangdong State Taxation Bureau* (Yue Cai fa [2017] No. 11), the enterprises in Lianshan Zhuang and Yao Autonomous Counties, Liannan Yao Autonomous County and other minority areas will be exempted from the local sharing part of enterprise income tax payable (including provincial and municipal and county levels), i.e., enterprise income tax is reduced and exempted by 40%. This policy will be implemented from 1 January 2018 to 31 December 2025. Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd ("Guangdong New Energy") is registered in Liannan Yao Autonomous County, and enjoys a 40% reduction of enterprise income tax.

Notes to Financial Statements

For the six months ended 30 June 2023

IV. TAXATION (CONTINUED)

2. Tax preference (continued)

(e) Preferential policies on enterprise income tax for the large-scale development of western China

According to the provisions of *Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China* (Announcement No. 23 (2020) of the Ministry of Finance), the enterprise income tax will be levied at 15% for enterprises in encouraging industries located in Western China from 1 January 2021 to 31 December 2030. Wind power enterprises under Baotou Nanfeng, Qianxin Company, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Guangxi Bioland Environmental Technologies Co., Ltd. (“Guangxi Bioland”), Inner Mongolia Chenghuan Bioland and Guiyang Bioland Environmental Technologies Co., Ltd. (“Guiyang Beier Bioland”) are enterprises in encouraging industries located in the western region and enjoy the tax preference of calculating and paying enterprise income tax at the reduced tax rate of 15%.

(f) Preferential policies on enterprise income tax for high-tech enterprises

Shenzhen-Shanwei Special Cooperation Zone Qiantai Technology Co., Ltd. (“Qiantai Company”) obtained the High-tech Enterprise Certificate (Certificate No. GR202044205342) on 11 December 2020, which is valid for three years. According to the relevant provisions of the *Enterprise Income Tax Law of the People’s Republic of China*, Qiantai Company pays enterprise income tax at a tax rate of 15% from 11 December 2020 to December 2023.

Shenzhen Expressway Infrastructure Environment Protection Development Co., Ltd. (“Infrastructure Environment Protection Development Company”) obtained the High-tech Enterprise Certificate (Certificate No. GR202244204468) on 19 December 2022 which is valid for three years. According to the *Enterprise Income Tax Law of the People’s Republic of China* and related regulations, Infrastructure Environment Protection Development Company pays enterprise income tax at a tax rate of 15% from 19 December 2022 to 18 December 2025.

Shenzhen Lisai Environmental Protection Technology Co., Ltd. (“Lisai Environmental Protection”) obtained the High-tech Enterprise Certificate (Certificate No. GR202244206664) on 19 December 2022, which is valid for three years. According to the relevant provisions of the *Enterprise Income Tax Law of the People’s Republic of China*, Lisai Environmental Protection levies enterprise income tax at a tax rate of 15% from 19 December 2022 to 18 December 2025.

IV. TAXATION (CONTINUED)

2. Tax preference (continued)

(g) Income tax preference for small and micro enterprises

In accordance with the *Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementation of Income Tax Preferential Policies for Small and Micro Enterprises* (No. 13 Announcement of the Ministry of Finance and the State Administration of Taxation in 2022) and the *Announcement of the Ministry of Finance and the State Administration of Taxation on Further Support of Tax Policies for Development of Small and Micro Enterprises and Individual Industrial and Commercial Households* (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the annual taxable income of small and micro enterprises that is more than RMB1 million but less than RMB3 million is included in taxable income at a reduced rate of 25% and is subject to the enterprise income tax rate of 20% from 1 January 2022 and 31 December 2027.

In accordance with the *Announcement of the Ministry of Finance and the State Administration of Taxation on Income Tax Preferential Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (No. 6 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023) and the *Announcement of the Ministry of Finance and the State Administration of Taxation on Further Support of Tax Policies for Development of Small and Micro Enterprises and Individual Industrial and Commercial Households* (No. 12 Announcement of the Ministry of Finance and the State Administration of Taxation in 2023), the annual taxable income of small and micro enterprises that is less than RMB1 million is included in taxable income at a reduced rate of 25% and is subject to the enterprise income tax rate of 20% from 1 January 2023 and 31 December 2027.

Shenzhen Expressway Group Digital Technology Co. Ltd. (“Expressway Digital Technology”), Chuzhou Bioland Environmental Protection Technology Co., Ltd. (“Chuzhou Bioland”), Longyou Bioland, and Shenzhen Bioland Environmental Protection Technology Research and Design Institute Co., Ltd. (“Bioland Environmental Protection Technology”) are small and micro enterprises, thus enjoying the above preferential policies.

(h) Preferential policies on exemption from property tax for three years

According to Article 9 of the *Measures for the Implementation of Property Tax in Shenzhen Special Economic Zone* (Shen Fu [1987] No. 164), newly-built houses (excluding those built in violation of regulations) which are newly constructed or purchased by taxpayers are exempt from property tax for three years from the next month following the completion or purchases of the newly-built houses. The Company and Outer Ring Company enjoy this preferential policy from 2021 to 2023.

Apart from the above, there is no other tax preference that has a significant impact on the Group.

Notes to Financial Statements

For the six months ended 30 June 2023

IV. TAXATION (CONTINUED)

3. Others

According to the *Reply from the State Administration of Taxation Concerning about the Recognition as Resident Enterprises of Related Overseas Enterprises of Shenzhen Expressway Corporation Limited* (Guo Shui Han (2010) No. 651) issued by the State Administration of Taxation on 30 December 2010, Mei Wah (Hong Kong) Company (“Mei Wah Company”), Maxprofit Company and Jade Emperor Limited (“JEL Company”) were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

According to the *Certificate of Resident Status of Overseas Registered Chinese Holding Enterprises* issued by Shenzhen Taxation Bureau of the State Administration of Taxation (Shen Shui Ju Gao [2020] No. 4, Shen Shui Ju Gao [2022] No. 1), Fameluxe Investment Limited and Logistics Finance Company were recognized as a resident enterprise of China and would be subject to the relevant taxation administration. This came into effect for Fameluxe Investment Limited in 2020, and came into effect for Logistics Finance Company in 2022.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at banks and on hand

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash on hand:	7,190,567.60	9,205,134.25
RMB	7,157,846.46	9,155,309.10
HKD	32,492.37	49,607.03
Euro	94.53	89.07
Yen	19.04	19.91
Franc	94.32	88.26
Peseta	20.88	20.88
Bank deposits:	3,907,236,002.34	3,537,493,482.47
RMB	3,829,460,096.12	3,444,132,683.24
HKD	69,608,144.37	85,457,200.07
USD	8,167,761.85	7,903,599.16
Others:	257,670,045.86	88,934,042.00
RMB	257,670,045.86	88,911,126.63
HKD	–	22,915.37
Interest receivable on bank deposits	229,500.00	229,500.00
Total	4,172,326,115.80	3,635,862,158.72
Including: Total amount deposited abroad	225,580,695.04	442,387,618.80

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Cash at banks and on hand (continued)

As at 30 June 2023, the Group's restricted funds are listed as follows:

	RMB	
Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Regulated equity acquisition funds	212,624,851.72	212,356,372.09
Special account for project management	209,050,146.72	21,194,557.46
Security deposits	31,244,178.55	55,633,451.03
Frozen funds due to litigation	156,236,963.52	149,445,610.73
Total	609,156,140.51	438,629,991.31

2. Transactional financial assets

	RMB	
Category	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial assets at FVTPL	210,804,141.40	1,112,243,771.54
Including:		
Structural deposits	–	901,439,630.14
Compensation for valuation adjustment mechanism	210,804,141.40	210,804,141.40
Total	210,804,141.40	1,112,243,771.54

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1) Classification of bills receivable

RMB

Category	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Bank acceptance bills	700,000.00	3,500,000.00
Commercial acceptance bills	–	–
Total	700,000.00	3,500,000.00

(2) Bills receivable that had been endorsed or discounted by the Group at the end of the period but were not due as at the balance sheet date

RMB

Item	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Amount derecognized at the end of the period	Amount not derecognized at the end of the period	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance bills	–	–	–	1,700,000.00
Commercial acceptance bills	–	–	–	–
Total	–	–	–	1,700,000.00

(3) As at 30 June 2023, the Group had no bills that were converted into accounts receivable due to the failure to perform the contract by drawer.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Accounts receivable disclosed by aging:

RMB

Aging	30 June 2023 (Unaudited)		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	559,918,679.81	3,139,907.02	0.56
1 to 2 years	210,661,344.81	8,385,605.79	3.98
2 to 3 years	196,862,085.50	46,108,596.80	23.42
Over 3 years	96,305,643.16	62,119,484.61	64.50
Total	1,063,747,753.28	119,753,594.22	—

(2) Accounts receivable disclosed by bad debt provision method:

RMB

Category	30 June 2023 (Unaudited)					31 December 2022 (Audited)				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually										
Provision assessed individually	57,597,180.02	5.41	36,736,521.02	63.78	20,860,659.00	57,597,180.02	4.95	36,736,521.02	63.78	20,860,659.00
Credit loss allowance assessed on portfolio basis according to credit risk characteristics										
Portfolio I	178,501,199.96	16.78	—	—	178,501,199.96	133,653,033.13	11.49	—	—	133,653,033.13
Portfolio II	366,675,921.64	34.48	31,484,604.98	8.59	335,191,316.66	431,354,819.18	37.07	36,502,914.94	8.46	394,851,904.24
Portfolio III	107,992,053.64	10.15	49,692,119.30	46.01	58,299,934.34	117,638,461.08	10.11	36,954,338.59	31.41	80,684,122.49
Portfolio IV	352,981,398.02	33.18	1,840,348.92	0.52	351,141,049.10	423,281,231.55	36.38	1,067,937.34	0.25	422,213,294.21
Total	1,063,747,753.28	100.00	119,753,594.22	—	943,994,159.06	1,163,524,724.96	100.00	111,261,711.89	—	1,052,263,013.07

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(2) Accounts receivable disclosed by bad debt provision method: (continued)

Accounts receivable for which the bad debt provision is assessed on portfolio basis:

The accounts receivable for which the bad debt provision is assessed by aging analysis method in portfolio II, portfolio III and portfolio IV:

RMB

	30 June 2023 (Unaudited)		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio II			
Within 1 year	37,853,911.65	686,438.02	1.81
1 to 2 years	167,311,005.75	5,499,737.33	3.29
2 to 3 years	128,967,713.26	7,072,085.51	5.48
Over 3 years	32,543,290.98	18,226,344.12	56.01
Total	366,675,921.64	31,484,604.98	–

RMB

	30 June 2023 (Unaudited)		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio III			
Within 1 year	32,103,598.64	613,120.08	1.91
1 to 2 years	23,309,212.69	2,885,868.46	12.38
2 to 3 years	8,145,367.61	2,299,990.27	28.24
Over 3 years	44,433,874.70	43,893,140.49	98.78
Total	107,992,053.64	49,692,119.30	–

RMB

	30 June 2023 (Unaudited)		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio IV			
Within 1 year	350,698,901.42	1,840,348.92	0.52
1 to 2 years	2,068,512.23	–	–
2 to 3 years	213,984.37	–	–
Total	352,981,398.02	1,840,348.92	–

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(3) Bad debt provision

RMB

Category	1 January 2023 (Audited)	Changes for the period			30 June 2023 (Unaudited)
		Provision	Recovery or reversal	Write-off or charge-off	
Accounts receivable for which bad debt provision is assessed individually and on portfolio basis according to credit risk characteristics	111,261,711.89	13,510,192.29	(5,018,309.96)	-	119,753,594.22

Changes in bad debt provision of accounts receivable:

RMB

Bad debt provision	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2023	44,804,395.10	66,457,316.79	111,261,711.89
– Transfer into those credit-impaired	-	-	-
– Reversal of those not credit-impaired	-	-	-
Provision	13,510,192.29	-	13,510,192.29
Reversals	(5,018,309.96)	-	(5,018,309.96)
Transfer out due to derecognition of financial assets (including direct write-down)	-	-	-
Other changes	-	-	-
30 June 2023	53,296,277.43	66,457,316.79	119,753,594.22

For the six months ended 30 June 2023, the Group has no recovery or reversal of bad debt provision which is individually significant.

(4) For the six months ended 30 June 2023, no accounts receivable has been written off.

(5) Top five accounts receivable categorized by debtor:

RMB

Item	Gross carrying amount	Bad debt provision	Proportion to total accounts receivable (%)
Total of top five accounts receivable as at 30 June 2023	445,147,182.17	80,391,942.13	41.85

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments

(1) Prepayments presented by aging:

RMB

Aging	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	275,569,933.27	92.12	207,607,247.43	92.06
1 to 2 years	15,079,727.30	5.04	17,682,668.05	7.84
2 to 3 years	8,487,287.02	2.84	219,151.77	0.10
Over 3 years	–	–	226.00	–
Total	299,136,947.59	100.00	225,509,293.25	100.00

(2) Prepayments presented by nature:

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Prepayments for materials	226,147,002.31	178,031,919.20
Others	72,989,945.28	47,477,374.05
Total	299,136,947.59	225,509,293.25

As at 30 June 2023, the prepayments aged over 1 year mainly represent the prepayments for materials and prepayments for construction. As the construction projects have not yet been settled or the goods have not yet been delivered by the suppliers, the prepayments remain outstanding.

(3) Top five prepayments categorized by payee:

RMB

Name of entity	Relationship with the Group	Gross carrying amount	Aging	Proportion to total prepayments (%)
Total of top five prepayments as at 30 June 2023	Non-related party	191,474,725.98	Within 1 year	64.01

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables

6.1 Summary of other receivables

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Dividends receivable	30,276,790.61	181,376,782.72
Other receivables	718,147,970.03	940,252,209.69
Total	748,424,760.64	1,121,628,992.41

6.2 Dividends receivable

RMB

Investee	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Dividends receivable aged within 1 year		
Guangzhou-Shenzhen-Zhuhai Expressway Co., Ltd. ("Guangzhou-Shenzhen-Zhuhai Expressway")	–	181,376,782.72
Bank of Guizhou Co., Ltd. ("Bank of Guizhou")	30,276,790.61	–
Total	30,276,790.61	181,376,782.72

6.3 Other receivables

(1) Other receivables presented by aging

RMB

Aging	30 June 2023 (Unaudited)		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	169,940,642.25	4,151,103.32	2.44
1 to 2 years	244,035,125.50	1,756,751.92	0.72
2 to 3 years	125,242,850.93	1,126,228.98	0.90
Over 3 years	187,737,090.82	1,773,655.25	0.94
Total	726,955,709.50	8,807,739.47	

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

6.3 Other receivables (continued)

(2) Classification of other receivables by nature

RMB

Nature	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Receivables from related parties (Note X, 6(1))	89,009,125.31	298,897,320.68
Advances receivable	228,733,227.20	235,425,413.45
Receivables from third parties	301,894,292.06	210,315,511.63
Deposits and security deposit	93,983,909.44	74,371,425.14
Employee advance loan	4,893,783.47	3,686,005.04
Administrative reserve	2,167,756.10	2,837,649.98
Others	6,273,615.92	121,688,003.66
Total	726,955,709.50	947,221,329.58

(3) Details of bad debt provision

RMB

Category	1 January 2023 (Audited)	Changes for the period			30 June 2023 (Unaudited)
		Provision	Recovery or reversal	Write-off or charge-off	
Other receivables for which bad debt provision is assessed individually and on portfolio basis according to credit risk characteristics	6,969,119.89	1,844,629.06	(6,009.48)	–	8,807,739.47

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

6.3 Other receivables (continued)

(3) *Details of bad debt provision (continued)*

Changes in bad debt provision of other receivables are as follows:

RMB

Bad debt provision	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	
1 January 2023	6,969,119.89	–	–	6,969,119.89
– Transfer into Stage II	–	–	–	–
– Transfer into Stage III	–	–	–	–
– Reverse to Stage II	–	–	–	–
– Reverse to Stage I	–	–	–	–
Provision	1,844,629.06	–	–	1,844,629.06
Reversal	(6,009.48)	–	–	(6,009.48)
Transfer out due to derecognition of financial assets (including direct write-down)	–	–	–	–
Other changes	–	–	–	–
30 June 2023 (Unaudited)	8,807,739.47	–	–	8,807,739.47

(4) *Top five other receivables categorized by debtor:*

RMB

Item	Nature	Gross carrying amount	Aging	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Total of top five other receivables as at 30 June 2023	Receivables from related parties, advances receivable	483,550,940.67	Within 1 year, 1–2 years, 2–3 years, over 3 years	67.33	1,529,880.00

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1) Classification of inventories

RMB

Item	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Gross carrying amount	Provision for decline in value	Carrying amount	Gross carrying amount	Provision for decline in value	Carrying amount
Properties held for development (Note 1)	254,804,289.64	-	254,804,289.64	254,000,155.96	-	254,000,155.96
Properties under development (Note 2)	102,828,071.51	-	102,828,071.51	101,081,878.68	-	101,081,878.68
Properties held for sale (Note 3)	568,005,677.14	-	568,005,677.14	534,923,450.11	-	534,923,450.11
Raw materials	299,396,156.34	91,942,285.05	207,453,871.29	291,987,813.12	61,144,810.12	230,843,003.00
Work in progress	182,746,532.00	45,117,948.09	137,628,583.91	173,997,247.29	44,538,598.76	129,458,648.53
Goods on hand	94,525,427.09	13,743,536.73	80,781,890.36	64,120,269.89	3,883,176.29	60,237,093.60
Low value consumables and others	3,037,344.36	-	3,037,344.36	3,718,726.93	-	3,718,726.93
Total	1,505,343,498.08	150,803,769.87	1,354,539,728.21	1,423,829,541.98	109,566,585.17	1,314,262,956.81

Note 1: Properties held for development represent the lands held by the Company's subsidiary Guizhou Shenzhen Expressway Land Co., Ltd. ("Guizhou Land") which are to be developed under Phase II Stage III and Phase III Stage II of Youshan Villa project, Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment") and Guizhou Yefengrui Land Limited Company ("Yefengrui Land").

Note 2: Properties under development

RMB

Name of project	Start time	Estimated completion date	Amount of estimated investment	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Public area	December 2015		960,479,500.00	102,828,071.51	101,081,878.68
Total			960,479,500.00	102,828,071.51	101,081,878.68

Note 3: Properties held for sale

RMB

Name of project	Time of completion	1 January 2023 (Audited)	Addition	Reduction	30 June 2023 (Unaudited)	Provision for decline in value
Phase I Stage I of Youshan Villa	December 2016	11,176,877.24	-	-	11,176,877.24	-
Phase II Stage II of Youshan Villa	April 2019	46,251,723.77	-	-	46,251,723.77	-
Phase III Stage I of Youshan Villa	November 2020	17,554,210.44	-	-	17,554,210.44	-
Phase III Stage III of Youshan Villa	September 2022	459,940,638.66	45,447,046.46	12,364,819.43	493,022,865.69	-
Total		534,923,450.11	45,447,046.46	12,364,819.43	568,005,677.14	-

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**7. Inventories (continued)****(2) Provision for decline in value of inventories**

RMB

Item	1 January 2023 (Audited)	Provision	Reversal	Write-off	30 June 2023 (Unaudited)
Raw materials	61,144,810.12	30,797,474.93	-	-	91,942,285.05
Work in progress	44,538,598.76	579,349.33	-	-	45,117,948.09
Goods on hand	3,883,176.29	9,860,360.44	-	-	13,743,536.73
Total	109,566,585.17	41,237,184.70	-	-	150,803,769.87

(3) Explanation of capitalized borrowing costs included in the closing balance of inventories

For the six months ended 30 June 2023, the amount of capitalized interest included in inventories was RMB0.00 (for the six months ended 30 June 2022: RMB1,371,490.08), and the capitalization rate used to recognize the capitalization amount was 4.75% (for the six months ended 30 June 2022: 4.75%). As at 30 June 2023, the amount of capitalized interest included in the closing balance of inventories was RMB3,561,483.21 (31 December 2022: RMB3,662,855.01).

8. Contract assets**(1) Details of contract assets**

RMB

Item	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Construction receivables	214,820,103.65	3,304,869.42	211,515,234.23	295,419,726.44	3,304,869.42	292,114,857.02
Warranties receivable	69,502,219.88	5,361,329.84	64,140,890.04	73,757,219.88	343,019.88	73,414,200.00
Kitchen waste engineering construction receivables	57,752,412.29	16,471,364.68	41,281,047.61	28,283,661.48	16,471,364.68	11,812,296.80
Total	342,074,735.82	25,137,563.94	316,937,171.88	397,460,607.80	20,119,253.98	377,341,353.82

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Contract assets (CONTINUED)

(2) Amount and reason for the significant changes in carrying amount for the period

RMB

Item	Amount of changes	Reason for changes
Construction receivables	(80,599,622.79)	Decrease in contract assets for the period due to the recognition of the right to receive payments unconditionally as accounts receivable
Kitchen waste engineering construction receivables	29,468,750.81	Increase in contract assets recognized based on project progress for the period

(3) Provision for impairment of contract assets for the period

RMB

Item	1 January 2023 (Audited)	Provision	Reversal	Write-off/ Charge-off	Other changes	30 June 2023 (Unaudited)	Reason
Construction receivables	3,304,869.42	-	-	-	-	3,304,869.42	-
Warranties receivable	343,019.88	5,018,309.96	-	-	-	5,361,329.84	-
Kitchen waste engineering construction receivables	16,471,364.68	-	-	-	-	16,471,364.68	-
Total	20,119,253.98	5,018,309.96	-	-	-	25,137,563.94	-

Changes in provision for impairment of contract assets are as follows:

RMB

Provision for impairment	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2023	20,119,253.98	-	20,119,253.98
- Transfer into those credit-impaired	-	-	-
- Reversal of those not credit-impaired	-	-	-
Provision	5,018,309.96	-	5,018,309.96
Reversal	-	-	-
Transfer out due to derecognition	-	-	-
Other changes	-	-	-
30 June 2023	25,137,563.94	-	25,137,563.94

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Non-current assets due within one year

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	9,412,279.18	52,377,212.17
Financial leasing receivables	239,515,257.74	145,910,867.47
Sub-total	248,927,536.92	198,288,079.64
Less: Provision for bad debts	4,971,887.55	1,583,857.33
Total	243,955,649.37	196,704,222.31

Note: Please refer to Note V, 12.

10. Other current assets

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Pending deduction of input value-added tax	262,399,011.06	240,144,678.43
Certificates of time deposits	201,172,500.00	–
Prepaid tax	8,239,347.43	17,661,065.72
Total	471,810,858.49	257,805,744.15

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term prepayments

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Prepayments for acquisition and construction of long-term assets	592,916,307.41	589,559,480.09
Prepayments for reconstruction and expansion of Shenzhen Airport-Heao Expressway	303,508,068.40	291,600,725.90
Prepaid project fund of Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company")	65,932,294.02	63,608,512.06
Prepaid project fund of Shenzhen-Shanwei Expressway project	29,333,236.81	–
Prepaid project fund of Guangming Environment project	11,444,482.85	29,543,364.49
Finance lease prepayments for equipment from Financial Leasing Company	–	22,567,974.20
Total	1,003,134,389.49	996,880,056.74

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables

(1) Details of long-term receivables:

RMB

Item	30 June 2023 (Unaudited)			31 December 2022 (Audited)			Range of discount rate
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount	
Financial leasing receivables (Note 1)	1,228,071,995.39	22,213,399.02	1,205,858,596.37	1,185,090,984.80	22,432,158.58	1,162,658,826.22	-
Electricity compensation income (Note 2)	1,173,032,562.65	5,865,162.82	1,167,167,399.83	1,088,459,539.35	5,442,297.69	1,083,017,241.66	4.35%
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	60,229,723.92	-	60,229,723.92	103,194,656.91	-	103,194,656.91	-
Sub-total	2,461,334,281.96	28,078,561.84	2,433,255,720.12	2,376,745,181.06	27,874,456.27	2,348,870,724.79	-
Less: Long-term receivables due within one year (Note V, 9)	248,927,536.92	4,971,887.55	243,955,649.37	198,288,079.64	1,583,857.33	196,704,222.31	-
Including: Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	9,412,279.18	-	9,412,279.18	52,377,212.17	-	52,377,212.17	-
Financial leasing receivables (Note 1)	239,515,257.74	4,971,887.55	234,543,370.19	145,910,867.47	1,583,857.33	144,327,010.14	-
Total	2,212,406,745.04	23,106,674.29	2,189,300,070.75	2,178,457,101.42	26,290,598.94	2,152,166,502.48	

Note 1: It represents the rents and interest of equipment under financial leasing receivable by the Company's subsidiary Financial Leasing Company. As at 30 June 2023, the financial leasing receivables amounted to RMB1,228,071,995.39 (31 December 2022: RMB1,185,090,984.80).

Note 2: As at 30 June 2023, the balance of electricity compensation income which has not been received by wind power enterprises under Baotou Nanfeng, Qianzhi Company, Qianxin Company, Qianhui Company, Yongcheng Zhuneng and Ningxia Zhongwei totaled RMB1,173,032,562.65 (31 December 2022: RMB1,088,459,539.35).

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables (continued)

(2) Bad debt provision

RMB

Item	1 January 2023 (Audited)	Addition	Reduction	30 June 2023 (Unaudited)
Bad debt provision	26,290,598.94	957,988.13	(4,141,912.78)	23,106,674.29

Changes in bad debt provision of long-term receivables are as follows:

RMB

Item	Stage I 12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
1 January 2023	26,290,598.94	–	–	26,290,598.94
– Transfer into Stage II	–	–	–	–
– Transfer into Stage III	–	–	–	–
– Reverse to Stage II	–	–	–	–
– Reverse to Stage I	–	–	–	–
Provision	957,988.13	–	–	957,988.13
Reversal	(4,141,912.78)	–	–	(4,141,912.78)
Transfer out due to derecognition of financial assets (including direct write-down)	–	–	–	–
Other changes	–	–	–	–
30 June 2023	23,106,674.29	–	–	23,106,674.29

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

RMB

Investee	Changes for the period								Shareholdings (%)	Provision for impairment at 30 June 2023	
	1 January 2023 (Audited)	Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Cash dividend or profit declared	Provision for impairment	Others			30 June 2023 (Unaudited)
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	449,038,114.64	-	-	31,058,839.53	-	(36,395,306.53)	-	-	443,701,647.64	35.00	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	831,127,311.40	-	-	24,525,971.09	-	(50,001,498.89)	-	-	805,651,783.60	25.00	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	321,828,011.03	-	-	28,796,497.57	-	(15,827,500.00)	-	-	334,797,008.60	25.00	-
Shenzhen International United Land Company Limited ("United Land Company")	23,392,242.61	-	-	(234,602.80)	-	-	-	-	23,157,639.81	34.30	-
Chongqing Derun Environment Co., Limited ("Derun Environment")	5,061,201,366.80	-	-	111,404,538.86	5,000,000.00	-	-	(5,000,000.00)	5,172,605,905.66	20.00	-
Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry MBA Investment Partnership (Limited Partnership) ("Shengchuang Fund")	118,382,068.13	-	-	(3,184,541.37)	-	-	-	-	115,197,526.76	45.00	-
Shenzhen Fenghe Energy Investment Co., Ltd. ("Fenghe Energy")	213,223,929.34	-	-	7,884,197.88	1,519,370.70	-	-	-	222,627,497.92	50.00	-
Guangzhou-Shenzhen-Zhuhai Expressway	5,046,576,853.72	-	-	3,893,033.45	-	-	-	-	5,050,469,887.17	45.00	-
Guangdong Guangzhou West Line Expressway Co., Ltd. ("Guangzhou West Line Expressway")	3,529,445,345.37	-	-	60,949,453.59	-	-	-	-	3,590,394,798.96	50.00	-
Guangzhou Zhentong Industrial Development Co., Ltd. ("Xintang Joint Venture") (Note 1)	390,710,484.05	-	-	1,371,354.65	-	-	-	-	392,081,838.70	15.00	-
Others (Note 2)	1,764,144,221.28	-	-	74,902,846.94	-	(30,109,638.28)	-	(20,820,044.54)	1,788,117,385.40	-	-
Total	17,749,069,948.37	-	-	341,367,589.39	6,519,370.70	(132,333,943.70)	-	(25,820,044.54)	17,938,802,920.22	-	-

Note 1: Bay Area Development, a subsidiary of the Company, has appointed one director to the Board of Directors of Xintang Joint Venture, which has a significant impact on its operation and financial decisions.

Note 2: Others include the Group's associates and joint ventures Yunji Smart Engineering Co., Ltd. ("Yunji Smart"), Shenzhen Huayu Expressway Investment Co., Ltd. ("Huayu Company"), Guizhou Hengtongli Property Co., Ltd. ("Guizhou Hengtongli"), Bank of Guizhou, Shenzhen Guangming Fengrunjiu Health Service Co., Ltd. ("Guangming Fengrunjiu") and Huai'an Zhongheng New Energy Co., Ltd. ("Huai'an Zhongheng").

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Other non-current financial assets

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Shenzhen Water Planning & Design Institute Co., Ltd. ("Water Planning & Design Institute")	316,605,605.25	246,936,713.24
Shenzhen State Owned Cooperative Development Private Equity Fund Partnership (Limited Partnership) ("Cooperative Development Fund")	331,640,429.57	308,486,714.70
Guangdong United Electronic Service Co., Ltd. ("United Electronic")	181,519,645.09	173,913,232.50
Guangdong Heyuan Rural Commercial Bank Co., Ltd.	22,503,680.00	22,503,680.00
Guangdong Zijin Rural Commercial Bank Co., Ltd.	9,180,560.00	9,180,560.00
Yiwu Shenneng Renewable Resources Utilization Co., Ltd.	3,443,730.00	2,243,730.00
Total	864,893,649.91	763,264,630.44

For the six months ended 30 June 2023, the gains from changes in fair value of such equity investments is RMB100,429,019.47 (for the six months ended 30 June 2022: gains from changes in fair value of RMB107,372,297.09 incurred). Please refer to Note V, 55.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties

(1) Investment properties measured at cost:

RMB			
Item	Parking space	Buildings	Total
I. Cost			
1. 1 January 2023	18,180,000.00	18,172,660.84	36,352,660.84
2. Additions in the period	–	245,059.12	245,059.12
(1) Transfer from fixed assets	–	245,059.12	245,059.12
3. Reductions	–	193,288.68	193,288.68
(1) Transfer to fixed assets	–	193,288.68	193,288.68
4. 30 June 2023	18,180,000.00	18,224,431.28	36,404,431.28
II. Accumulated amortization			
1. 1 January 2023	8,108,558.76	2,175,280.13	10,283,838.89
2. Additions in the period	287,862.12	441,640.82	729,502.94
(1) Provision	287,862.12	419,282.06	707,144.18
(2) Transfer from fixed assets	–	22,358.76	22,358.76
3. Reductions	–	–	–
(1) Transfer to fixed assets	–	–	–
4. 30 June 2023	8,396,420.88	2,616,920.95	11,013,341.83
III. Carrying amount			
1. 30 June 2023	9,783,579.12	15,607,510.33	25,391,089.45
2. 1 January 2023	10,071,441.24	15,997,380.71	26,068,821.95

* The Group's investment properties are all located in the mainland of China and held in the form of leases.

(2) As at 30 June 2023, the investment properties without the certificate of ownership are listed as follows:

RMB		
Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Buildings	15,607,510.33	In process
The parking space beneath the Jiangsu Building	9,783,579.12	All the certificates of ownership of the parking space in Shenzhen are not available.

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets

(1) Details of fixed assets

RMB

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
I. Cost						
1. 1 January 2023	2,901,314,692.23	1,646,032,767.54	47,781,727.36	132,764,938.34	4,515,775,902.26	9,243,670,027.73
2. Additions	658,368.73	15,634,645.35	2,549,971.79	4,960,200.48	3,896,266.09	27,699,452.44
(1) Purchase	465,080.05	4,161,982.26	2,549,971.79	4,176,948.56	3,896,266.09	15,250,248.75
(2) Transfer from construction in progress	-	11,472,663.09	-	783,251.92	-	12,255,915.01
(3) Addition due to business combinations	-	-	-	-	-	-
(4) Transfer from investment properties	193,288.68	-	-	-	-	193,288.68
3. Reductions	245,059.12	194,492.49	3,638,189.00	1,308,785.67	535.99	5,387,062.27
(1) Disposals or retirement	-	194,492.49	3,638,189.00	1,308,785.67	535.99	5,142,003.15
(2) Transfer to investment properties	245,059.12	-	-	-	-	245,059.12
(3) Other reductions	-	-	-	-	-	-
4. 30 June 2023	2,901,728,001.84	1,661,472,920.40	46,693,510.15	136,416,353.15	4,519,671,632.36	9,265,982,417.90
II. Accumulated depreciation						
1. 1 January 2023	415,140,532.15	957,790,357.65	25,520,597.09	73,613,320.50	561,448,766.13	2,033,513,573.52
2. Additions	55,528,999.39	45,272,033.30	3,038,118.83	14,893,602.62	123,962,593.99	242,695,348.13
(1) Provision	55,528,999.39	45,272,033.30	3,038,118.83	14,893,602.62	123,962,593.99	242,695,348.13
(2) Transfer from investment properties	-	-	-	-	-	-
3. Reductions	22,358.76	95,691.01	3,415,516.80	1,152,718.74	509.19	4,686,794.50
(1) Disposals or retirement	-	95,691.01	3,415,516.80	1,152,718.74	509.19	4,664,435.74
(2) Transfer to investment properties	22,358.76	-	-	-	-	22,358.76
(3) Others	-	-	-	-	-	-
4. 30 June 2023	470,647,172.78	1,002,966,699.94	25,143,199.12	87,354,204.38	685,410,850.93	2,271,522,127.15
III. Provision for impairment						
1. 1 January 2023	-	-	-	-	655,667.88	655,667.88
2. Additions	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-
3. 30 June 2023	-	-	-	-	655,667.88	655,667.88
IV. Carrying amount						
1. 30 June 2023	2,431,080,829.06	658,506,220.46	21,550,311.03	49,062,148.77	3,833,605,113.55	6,993,804,622.87
2. 1 January 2023	2,486,174,160.08	688,242,409.89	22,261,130.27	59,151,617.84	3,953,671,468.25	7,209,500,786.33

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (continued)

(2) Fixed assets without certificates of ownership

RMB

Item	Carrying amount (Unaudited)	Reason for not yet obtaining the certificate of ownership
Buildings	648,480,308.52	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates except that the certificates for the buildings of Qiantai Company are in process.

17. Construction in progress

(1) Details of construction in progress

RMB

Item	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Langfang factory project	94,963,777.64	-	94,963,777.64	80,902,114.07	-	80,902,114.07
Special electromechanical project	25,098,955.08	-	25,098,955.08	34,849,740.12	-	34,849,740.12
Office building rectification civil engineering	29,318,119.46	-	29,318,119.46	29,184,866.66	-	29,184,866.66
Xuanwei project	25,167,669.00	-	25,167,669.00	25,167,669.00	-	25,167,669.00
Technical transformation for production line of Qiantai Company	17,972,695.94	-	17,972,695.94	17,972,695.94	-	17,972,695.94
Congestion control project for key toll stations in directly-managed sections	9,829,025.97	-	9,829,025.97	9,829,025.97	-	9,829,025.97
Construction project for "provincial station" direct transmission system	1,563,555.52	-	1,563,555.52	1,657,105.52	-	1,657,105.52
Others	34,613,152.44	4,199,980.14	30,413,172.30	30,340,389.78	4,199,980.14	26,140,409.64
Total	238,526,951.05	4,199,980.14	234,326,970.91	229,903,607.06	4,199,980.14	225,703,626.92

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Right-of-use assets

RMB

Item	Buildings	Billboards	Total
I. Cost			
1. 1 January 2023	217,356,007.39	17,352,841.69	234,708,849.08
2. Additions in the current period	55,658,551.78	–	55,658,551.78
(1) Additions	55,658,551.78	–	55,658,551.78
3. Reductions in the current period	46,843,903.95	17,352,841.69	64,196,745.64
(1) Disposals	14,077,487.13	17,352,841.69	31,430,328.82
(2) Other reductions	32,766,416.82	–	32,766,416.82
4. 30 June 2023	226,170,655.22	–	226,170,655.22
II. Accumulated depreciation			
1. 1 January 2023	127,189,889.52	17,352,841.69	144,542,731.21
2. Additions in the current period	16,840,436.93	–	16,840,436.93
(1) Provision	16,840,436.93	–	16,840,436.93
3. Reductions in the current period	12,248,179.15	17,352,841.69	29,601,020.84
(1) Disposals	12,248,179.15	17,352,841.69	29,601,020.84
4. 30 June 2023	131,782,147.30	–	131,782,147.30
III. Provision for impairment			
1. 1 January 2023	14,754,044.72	–	14,754,044.72
2. 30 June 2023	14,754,044.72	–	14,754,044.72
IV. Carrying amount			
1. 30 June 2023	79,634,463.20	–	79,634,463.20
2. 1 January 2023	75,412,073.15	–	75,412,073.15

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets

(1) Details of intangible assets

RMB

Item	Franchise rights	Office software and others	Billboard use rights	Land use right	Contract rights	Patent use right	Total
I. Cost							
1. 1 January 2023	44,321,153,254.69	50,318,710.99	59,953,840.88	208,149,290.30	71,938,085.78	196,245,320.61	44,907,758,503.25
2. Additions	345,901,120.79	5,071,270.91	-	-	-	-	350,972,391.70
(1) Purchases	-	5,071,270.91	-	-	-	-	5,071,270.91
(2) Constructions	345,901,120.79	-	-	-	-	-	345,901,120.79
3. Reductions	1,548,411,478.48	-	-	-	-	-	1,548,411,478.48
(1) Disposals (Note)	1,523,192,561.66	-	-	-	-	-	1,523,192,561.66
(2) Other reductions in the current period	25,218,916.82	-	-	-	-	-	25,218,916.82
4. 30 June 2023	43,118,642,897.00	55,389,981.90	59,953,840.88	208,149,290.30	71,938,085.78	196,245,320.61	43,710,319,416.47
II. Accumulated amortization							
1. 1 January 2023	14,061,437,868.25	28,347,767.54	59,669,978.25	10,699,199.43	20,728,965.61	49,984,932.00	14,230,868,711.08
2. Additions	877,981,808.53	3,220,378.85	83,422.20	2,114,633.58	4,406,967.01	11,590,589.70	899,397,799.87
(1) Provision	877,981,808.53	3,220,378.85	83,422.20	2,114,633.58	4,406,967.01	11,590,589.70	899,397,799.87
3. Reductions	1,523,192,561.66	-	-	-	-	-	1,523,192,561.66
(1) Disposals	1,523,192,561.66	-	-	-	-	-	1,523,192,561.66
4. 30 June 2023	13,416,227,115.12	31,568,146.39	59,753,400.45	12,813,833.01	25,135,932.62	61,575,521.70	13,607,073,949.29
III. Provision for impairment							
1. 1 January 2023	3,811,235,491.81	-	-	-	-	18,050,000.00	3,829,285,491.81
2. Additions	-	-	-	-	-	-	-
3. 30 June 2023	3,811,235,491.81	-	-	-	-	18,050,000.00	3,829,285,491.81
IV. Carrying amount							
1. 30 June 2023	25,891,180,290.07	23,821,835.51	200,440.43	195,335,457.29	46,802,153.16	116,619,798.91	26,273,959,975.37
2. 1 January 2023	26,448,479,894.63	21,970,943.45	283,862.63	197,450,090.87	51,209,120.17	128,210,388.61	26,847,604,300.36

* The Group's land use rights are located in the mainland of China and held in the form of franchise.

(2) Land use right without the certificate of ownership is listed as follows:

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Land use right of Damaoqi wind power project	11,640,935.56	In progress

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets (continued)

(3) Information of franchise rights:

RMB

Item	Cost	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	Amortization in the current period	Impairment in the current period	30 June 2023 (Unaudited)	Accumulated amortization	Provision for impairment
I. Franchise rights associated with toll roads									
Qinglian Expressway (Note 1)	9,286,165,486.15	5,549,959,178.08	-	-	174,718,885.23	-	5,375,240,292.85	3,290,925,193.30	620,000,000.00
Airport-Heao Expressway	5,021,147,383.24	1,767,339,268.56	94,127,028.83	-	94,721,703.48	-	1,766,744,593.91	3,254,402,789.33	-
Meiguan Expressway	604,588,701.64	137,006,074.94	-	-	13,695,062.08	-	123,311,012.86	481,277,688.78	-
Outer Ring Expressway	5,741,898,614.12	5,260,258,467.14	-	-	84,878,559.55	-	5,175,379,907.59	566,518,706.53	-
Shuiguan Expressway (Note 1)	4,448,811,774.58	1,337,172,203.81	-	-	201,773,762.38	-	1,135,398,441.43	2,761,413,333.15	552,000,000.00
Yichang Expressway	3,160,038,564.24	2,302,484,337.32	-	-	87,325,967.35	-	2,215,158,369.97	944,880,194.27	-
Changsha Ring Road	614,374,358.81	410,197,067.38	-	-	20,758,771.07	-	389,438,296.31	224,936,062.50	-
Coastal Expressway Shenzhen Section (Note 1)	9,785,585,226.86	5,674,677,993.58	157,976,782.50	-	99,061,889.14	-	5,733,592,886.94	1,413,757,045.31	2,638,235,294.61
Longda Expressway	251,559,214.13	68,123,562.42	-	-	7,759,089.76	-	60,364,472.66	191,194,741.47	-
Sub-total	38,914,169,323.77	22,507,218,153.23	252,103,811.33	-	784,693,690.04	-	21,974,628,274.52	13,129,305,754.64	3,810,235,294.61
II. Franchise rights associated with kitchen waste disposal									
Kitchen waste disposal of Bioland Company (Note 1)	3,422,570,825.03	3,263,286,301.58	-	25,218,916.82	75,112,307.25	-	3,162,955,077.51	258,615,550.32	1,000,197.20
Kitchen waste disposal of Guangming	465,824,211.70	384,317,693.87	81,506,517.83	-	-	-	465,824,211.70	-	-
Kitchen waste disposal of Lisai Environmental Protection	269,668,469.27	258,214,805.62	1,323,664.73	-	17,347,544.18	-	242,190,926.17	27,477,543.10	-
Sub-total	4,158,063,506.00	3,905,818,801.07	82,830,182.56	25,218,916.82	92,459,851.43	-	3,870,970,215.38	286,093,093.42	1,000,197.20
III. Franchise rights associated with construction and operation of welfare institute									
Shenzhen Guangming welfare institute project	46,410,067.23	35,442,940.33	10,967,126.90	-	828,267.06	-	45,581,800.17	828,267.06	-
Sub-total	46,410,067.23	35,442,940.33	10,967,126.90	-	828,267.06	-	45,581,800.17	828,267.06	-
Total	43,118,642,897.00	26,448,479,894.63	345,901,120.79	25,218,916.82	877,981,808.53	-	25,891,180,290.07	13,416,227,115.12	3,811,235,491.81

Note 1: For the pledge of charging rights/equity/rights of management related to Qinglian Expressway, Coastal Expressway Shenzhen Section, Shuiguan Expressway and Bioland Company's kitchen waste disposal projects, please refer to Notes V, 34 (2) and V, 63.

Note 2: For the six months ended 30 June 2023, both the amount of intangible assets amortized and the amount included in profit or loss was RMB899,397,799.87 (for the six months ended 30 June 2022: RMB806,979,398.05).

Note 3: For the six months ended 30 June 2023, the Group capitalized borrowing costs on intangible assets amounting to RMB3,679,635.85 (for the six months ended 30 June 2022: RMB17,457,001.76).

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Goodwill

(1) Cost of goodwill

RMB

Investee	Additions in the current period			30 June 2023 (Unaudited)
	1 January 2023 (Audited)	Business combinations not under common control	Reductions in the current period	
Shenzhen Investment Holdings International Capital Holding Infrastructure Company Limited ("SIHICH")	202,893,131.20	–	–	202,893,131.20
Nanjing Wind Power	156,039,775.24	–	–	156,039,775.24
Total	358,932,906.44	–	–	358,932,906.44

(2) Provision for impairment of goodwill

RMB

Investee	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)
Nanjing Wind Power	156,039,775.24	–	–	156,039,775.24

Goodwill arising from business combinations has been allocated to the following asset group for impairment testing:

- Wind turbines manufacturing asset group

The case where the carrying amount of goodwill is allocated to the asset group is as follows:

RMB

Item	Wind turbines manufacturing asset group	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Carrying amount of goodwill	–	–

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Goodwill (continued)

(2) Provision for impairment of goodwill (continued)

- Bay Area Development asset group

The case where the carrying amount of goodwill is allocated to the asset group is as follows:

RMB

Item	Bay Area Development asset group	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Carrying amount of goodwill	202,893,131.20	202,893,131.20

21. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting

RMB

Item	30 June 2023 (Unaudited)		31 December 2022 (Restated) (Unaudited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment and amortization of franchise rights of Coastal Expressway	450,680,646.32	112,670,161.58	534,253,939.52	133,563,484.88
Deductible losses	316,408,293.20	79,102,073.30	468,176,313.96	117,044,078.49
Compensation for cost of services for newly-built toll station on Nanguang Expressway, Yanba Expressway and Yanpai Expressway ("Three Expressways") (Note 1)	194,904,931.35	48,726,232.84	211,704,931.35	52,926,232.84
Compensation for cost of services for newly-built toll station on Longda Expressway (Note 1)	132,582,309.38	33,145,577.31	145,915,980.26	36,478,995.03
Adjustments to fair values of net assets of merged enterprises such as Shenchang Expressway Co., Ltd in Changsha, Hunan ("Shenchang Company"), etc.	119,255,508.91	29,813,877.23	125,703,204.15	31,425,801.04
Payroll accrued but not paid	121,540,778.72	30,385,194.68	121,376,279.72	30,344,069.93
Amortization of other franchise rights	78,987,263.72	19,746,815.93	109,105,359.84	27,276,339.96
Bad debt provision	67,785,791.94	16,591,363.72	119,329,993.58	23,979,619.99
Property compensation of Meiguan Company (Note 2)	71,579,153.96	17,894,788.49	71,579,153.96	17,894,788.49
Provisions (Note 5)	166,823,476.68	38,750,787.02	67,820,501.40	14,000,043.20

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets/deferred tax liabilities (continued)

(1) Deferred tax assets before offsetting (continued)

RMB

Item	30 June 2023 (Unaudited)		31 December 2022 (Restated) (Unaudited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Compensation for cost of services for newly-built road ramp on Meiguan Expressway (Note 3)	49,051,472.92	12,262,868.23	55,591,669.24	13,897,917.31
Expenses accrued but not paid	87,871,500.80	21,967,875.20	40,905,731.12	10,226,432.78
Provision for impairment loss of assets	77,611,508.64	13,124,525.30	44,065,644.63	8,661,302.41
Interest receivable due to capital reduction of United Land Company (Note 4)	14,515,097.04	3,628,774.26	14,515,097.04	3,628,774.26
Compensation for demolition costs of old toll stations on Three Expressways and Longda Expressway	7,176,461.64	1,794,115.41	7,176,461.64	1,794,115.41
Lease liabilities	109,291,274.15	26,149,205.97	101,256,379.57	19,820,407.83
Others	51,376,800.32	10,386,150.06	76,478,162.36	18,678,348.71
Total	2,117,442,269.69	516,140,386.53	2,314,954,803.34	561,640,752.56

Note 1: The Company received a compensation for cost of services for newly-built toll station and a toll adjustment compensation regarding Three Expressways and Longda Expressway, and recognized the corresponding deferred tax assets for the temporary difference between the tax base and carrying amount.

Note 2: Meiguan Company, the Company's subsidiary, recognized the compensation for future relocated property granted by United Land Company, an associate of the Group, as other non-current assets. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding deferred tax asset for the temporary difference arising from the difference between the tax base and carrying amount of other non-current assets recognized.

Note 3: In 2015, the Group received a compensation for cost of services for newly-built toll station on Meiguan Expressway, and recognized the corresponding deferred tax assets for the temporary difference between the tax base and carrying amount.

Note 4: United Land Company capitalized the interest on capital reduction payable to the Company. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding deferred tax assets for the temporary difference arising from the difference between the tax base and carrying amount based on its shareholding ratio of 34.30%.

Note 5: It represents the deferred tax assets accrued by Bioland Company for provisions recognized for pending litigation or arbitration and subsequent expenditures of BOT project and provisions recognized by the Group based on the estimated cost of services of toll roads in the future in accordance with the relevant government documents.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets/deferred tax liabilities (continued)

(2) Deferred tax liabilities before offsetting

RMB

Item	30 June 2023 (Unaudited)		31 December 2022 (Restated) (Unaudited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not involving entities under common control				
– Shenzhen Qinglong Expressway Co., Ltd. (“Qinglong Company”)	697,051,781.89	174,262,945.48	820,785,424.29	205,196,356.08
– Hunan Yichang Expressway Development Co., Ltd. (“Yichang Company”)	795,010,865.74	198,752,716.44	826,861,648.98	206,715,412.25
– Guangdong Qinglian Highway Development Co., Ltd. (“Qinglian Company”)	499,278,020.80	121,514,698.29	515,506,734.24	125,571,876.65
– Airport-Heao Eastern Company	390,005,699.92	97,501,426.97	446,355,587.56	111,588,898.88
– Bioland Company	469,116,350.99	115,457,837.38	479,521,980.67	118,059,244.80
– Lisai Environmental Protection	155,135,436.13	23,270,315.42	162,961,175.20	24,444,176.28
– Qiantai Company	127,034,435.07	19,055,165.26	142,595,090.85	19,792,846.79
– Nanjing Wind Power	5,635,513.67	845,327.05	19,798,354.13	2,969,753.12
– Baotou Nanfeng	29,678,872.48	7,419,718.12	30,556,500.16	7,639,125.04
– JEL Company	–	–	–	–
– Meiguan Company	1,325,805.84	331,451.46	2,434,313.32	608,578.33
– Shenzhen Expressway New Energy Holding Co., LTD. (“New Energy Company”)	13,930,638.92	3,482,659.73	14,410,510.52	3,602,627.63
Amortization of franchise rights (Note)	441,139,725.12	110,284,931.28	451,299,237.80	112,824,809.45
Compensation for valuation adjustment mechanism	210,804,141.40	52,701,035.35	210,804,141.40	52,701,035.35
Right-of-use assets	79,634,463.20	17,519,581.90	75,412,073.15	16,590,656.09
Others	2,040,049,291.67	441,993,410.81	1,903,510,833.44	407,732,124.55
Total	5,954,831,042.84	1,384,393,220.94	6,102,813,605.71	1,416,037,521.29

Note: The methods for amortization of franchise rights associated with toll roads are inconsistent in accounting (traffic volume method) and taxation (straight-line method), resulting in temporary differences with deferred tax liability recognized.

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets/deferred tax liabilities (continued)

(3) Deferred tax assets or liabilities presented on net basis

RMB

Item	Offset amount of deferred tax assets and liabilities as at 30 June 2023	Deferred tax assets or liabilities after offset as at 30 June 2023 (Unaudited)	Offset amount of deferred tax assets and liabilities as at 31 December 2022	Deferred tax assets or liabilities after offset as at 31 December 2022 (Restated) (Unaudited)
Deferred tax assets	(150,643,753.19)	365,496,633.34	(135,003,349.82)	426,637,402.74
Deferred tax liabilities	(150,643,753.19)	1,233,749,467.75	(135,003,349.82)	1,281,034,171.47

(4) Details of unrecognized deferred tax assets

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Deductible losses	1,166,546,855.41	903,520,726.46
Deductible temporary differences	203,311,030.57	163,279,006.09
Total	1,369,857,885.98	1,066,799,732.55

(5) Deductible losses for which deferred tax assets are not recognized will expire in the following years:

RMB

Year	30 June 2023 (Unaudited)	31 December 2022 (Restated) (Unaudited)
2023	35,160,840.51	25,062,641.28
2024	46,884,730.62	46,885,146.80
2025	61,746,220.84	62,050,134.87
2026	222,885,336.20	222,885,336.20
2027	545,854,603.24	546,637,467.31
2028	254,015,124.00	–
Total	1,166,546,855.41	903,520,726.46

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other non-current assets

RMB

Item	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Contract assets over one year (Note 1)	2,664,650,664.22	-	2,664,650,664.22	2,630,221,312.69	-	2,630,221,312.69
Meiguan Company – property relocation compensation (Note 2)	342,599,500.00	-	342,599,500.00	342,599,500.00	-	342,599,500.00
Pending deduction of input tax over one year	147,701,486.91	-	147,701,486.91	189,928,839.31	-	189,928,839.31
Informatization and digitalization project of the Group	19,219,794.60	-	19,219,794.60	10,500,490.00	-	10,500,490.00
Others	1,120,979.14	-	1,120,979.14	-	-	-
Total	3,175,292,424.87	-	3,175,292,424.87	3,173,250,142.00	-	3,173,250,142.00

Note 1: It mainly includes the contract assets corresponding to the revenue that are recognized by the Group based on its understanding and judgement on documents regarding the exemption of road tolls during the specific period in 2020 issued by Guangdong Provincial Transportation Management Department, as well as the contract assets corresponding to the revenue that are recognized for Duohua Construction Project and Bimeng Construction Project.

Note 2: According to the *Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua District Minzhi Office*, United Land Company paid the compensation for demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company, in July 2016. On 27 April 2018, the two parties entered into the *Supplementary Agreement to the Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua District Minzhi Office*, which stipulates that United Land Company will pay property relocation compensation on the basis of the above monetary compensation, the compensated relocated property is the office building to be constructed by United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be completed in 2023. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Peng Xin Zi Gu Bao Zi [2018] No. 062), the fair value of the relocated property was RMB342,599,500.00.

23. Short-term borrowings

(1) Categories of short-term borrowings

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Pledged borrowings	7,406,463,579.98	7,129,200,145.74
Guaranteed borrowings	1,509,065,839.37	1,112,327,599.94
Credit borrowings	950,462,215.40	1,104,701,529.64
Mortgage borrowings	50,000,000.00	50,000,000.00
Total	9,915,991,634.75	9,396,229,275.32

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term borrowings (continued)

(2) Details of pledged borrowings

RMB

Name of entity	30 June 2023 (Unaudited)	Pledged by
China Merchants Bank Co., Ltd.	3,381,051,826.51	45.454% equity of SIHICH
Bank of China (Macau) Limited	2,735,296,928.96	28.68% equity of SIHICH
Industrial and Commercial Bank of China (Asia) Limited	1,093,961,008.04	14.5065% equity of SIHICH
China Construction Bank Nanjing Chengnan Sub-branch	99,009,561.11	Sales of wind turbine receivable by Nanjing Wind Power
HSBC Hong Kong Head Office	56,406,523.51	45% equity of JEL Company
HSBC Nanjing Branch	40,737,731.85	Sales of wind turbine receivable by Nanjing Wind Power
Total	7,406,463,579.98	

(3) Details of guaranteed borrowings

RMB

Name of entity	30 June 2023 (Unaudited)	Guaranteed by
Shanghai Pudong Development Bank	194,760,027.00	Bay Area Development
Bank of China (Hong Kong) Limited	436,014,125.15	Bay Area Development
Ping An Bank Hong Kong Branch	834,685,830.00	Bay Area Development
China Construction Bank Shenzhen Branch	13,605,857.22	The Company
China Merchants Bank Nanning Branch	30,000,000.00	Bioland Company
Total	1,509,065,839.37	

(4) Details of mortgage borrowings:

RMB

Name of entity	30 June 2023 (Unaudited)	Mortgaged by
Shanghai Pudong Development Bank	50,000,000.00	Land use right of Qiantai Company

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Transactional financial liabilities

RMB

Item	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)
Financial liabilities designated as at FVTPL	133,009,243.01	–	45,284,874.37	87,724,368.64
Total	133,009,243.01	–	45,284,874.37	87,724,368.64

25. Bills payable

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Commercial acceptance bills	153,175,363.95	204,239,880.66
Bank acceptance bills	40,669,099.04	24,430,000.00
Total	193,844,462.99	228,669,880.66

As at 30 June 2023, the Group had no overdue bills payable.

26. Accounts payable

(1) Presentation of accounts payable:

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Payables for construction projects, quality deposits and security deposits	1,710,600,925.20	2,026,322,610.20
Payables for goods	608,199,983.62	577,333,357.41
Others	111,835,373.39	209,311,953.16
Total	2,430,636,282.21	2,812,967,920.77

(2) Significant accounts payable aged over 1 year:

RMB

Item	30 June 2023 (Unaudited)	Reason for failure in repayment or carry-forward
Total of top five accounts payable aged over 1 year as at 30 June 2023	241,325,735.60	Unsettled project funds

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Accounts payable (continued)

(3) Aging analysis of accounts payable by date of entry

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
0 – 90 days	289,981,275.98	1,251,781,919.06
91 – 180 days	176,384,569.79	197,292,236.35
181 – 365 days	645,103,302.03	287,904,720.40
More than 1 year	1,319,167,134.41	1,075,989,044.96
Total	2,430,636,282.21	2,812,967,920.77

27. Advances from customers

(1) Presentation of advances from customers

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Rents received in advance	1,083,671.53	794,329.08

28. Contract liabilities

(1) Details of contract liabilities

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Advances from sales of real estate	50,170,817.49	14,888,116.53
Advances from sales of goods	31,575,492.85	6,538,109.91
Advances from rendering of technical services	9,618,365.70	–
Advances from sales of wind turbine	5,993,361.00	5,993,361.00
Others	5,323,183.26	2,913,429.28
Total	102,681,220.30	30,333,016.72

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Contract liabilities (continued)

(2) Amount and reason for significant change in carrying amount during the period

RMB

Item	Amount	Reason
Advances from sales of real estate	35,282,700.96	Increase in house payment received in advance
Total	35,282,700.96	

29. Employee benefits payable

(1) Presentation of employee benefits payable

RMB

Item	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)
I. Short-term wages	358,624,140.06	442,885,099.82	564,735,204.22	236,774,035.66
II. Post-employment benefits – defined contribution plans	5,169,884.48	48,590,855.34	50,528,727.04	3,232,012.78
Total	363,794,024.54	491,475,955.16	615,263,931.26	240,006,048.44

(2) Presentation of short-term benefits

RMB

Item	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)
I. Wages and salaries, bonuses, allowances and subsidies	335,279,341.28	346,864,950.73	460,477,506.17	221,666,785.84
II. Staff welfare	6,538,004.32	36,110,160.21	40,725,390.68	1,922,773.85
III. Social security contributions	1,243,206.34	17,696,504.63	17,929,283.04	1,010,427.93
Including: Medical insurance	1,114,960.61	15,870,982.12	16,079,747.76	906,194.97
Work injury insurance	47,412.06	674,890.14	683,767.59	38,534.61
Maternity insurance	80,833.67	1,150,632.37	1,165,767.69	65,698.35
IV. Housing funds	986,249.98	31,648,203.11	31,546,108.60	1,088,344.49
V. Labor union funds and employee education funds	11,358,681.09	6,692,158.40	8,166,922.02	9,883,917.47
VI. Others	3,218,657.05	3,873,122.74	5,889,993.71	1,201,786.08
Total	358,624,140.06	442,885,099.82	564,735,204.22	236,774,035.66

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee benefits payable (continued)

(3) Presentation of defined contribution plans

RMB

Item	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)
1. Basic pensions	2,517,113.94	35,815,276.35	36,286,581.72	2,045,808.57
2. Unemployment insurance	125,913.99	1,792,331.20	1,815,907.38	102,337.81
3. Enterprise annuities	2,526,856.55	10,983,247.79	12,426,237.94	1,083,866.40
Total	5,169,884.48	48,590,855.34	50,528,727.04	3,232,012.78

The Group participates, as required, in the pension insurance and unemployment plan established by government institutions. According to such plans, the Group contributes monthly to such plans based on the regulations of the government institutions. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

For the six months ended 30 June 2023, the Group should contribute pension insurance and unemployment plans amounting to RMB35,815,276.35 and RMB1,792,331.20 (for the six months ended 30 June 2022: RMB38,565,427.98 and RMB1,929,164.53). As at 30 June 2023, the Group has outstanding contributions to pension insurance and unemployment plans that are due as at the reporting period amounting to RMB2,045,808.57 and RMB102,337.81 (31 December 2022: RMB2,517,113.94 and RMB125,913.99), which have been fulfilled subsequent to the reporting date.

30. Taxes payable

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
VAT	318,461,900.64	247,354,932.23
Enterprise income tax	121,234,525.55	185,518,901.36
Land appreciation tax	59,811,775.02	60,584,898.11
City maintenance and construction tax	3,187,994.40	3,151,434.56
Educational surcharge	2,432,734.37	2,498,955.30
Others	7,790,752.88	8,495,901.45
Total	512,919,682.86	507,605,023.01

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**31. Other payables****31.1 Summary of other payables**

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Dividends payable	439,231,570.37	59,026,395.77
Other payables	1,200,984,695.42	1,312,742,294.61
Total	1,640,216,265.79	1,371,768,690.38

31.2 Dividends payable

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Perpetual bond dividends classified as equity instruments	5,111,111.10	5,877,411.77
Including: Perpetual bond dividends	5,111,111.10	5,877,411.77
Dividends payable – shareholders of the Company	356,207,659.28	–
Dividends payable – Original shareholder of Nanjing Wind Power	47,765,484.00	53,148,984.00
Dividends payable – Minority shareholders of Bay Area Development	30,147,315.99	–
Total	439,231,570.37	59,026,395.77

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (continued)

31.3 Other payables

(1) Presentation of other payables by nature

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Payables for equity acquisition (Note)	216,521,233.40	216,521,233.40
Project funds retained for construction management contracts	146,164,123.50	12,133,832.03
Accrued project expenditure and special administrative expenses	119,584,624.05	148,883,809.47
Payables related to independent costs of construction projects	59,047,171.98	59,047,171.98
Payables for tender and performance deposits and warranty	105,150,359.21	102,290,835.84
Payables for the construction cost of the Shenzhen World Exhibition & Convention Center toll station	139,855,284.60	139,855,284.60
Payables related to maintenance for roads	96,156,202.70	110,036,442.82
Payables for the cost of provincial toll station cancellation project	54,663,727.05	54,721,137.75
Payables for mechanical and electrical costs	33,871,034.58	37,704,328.83
Payables for country road construction fee and management service fee of Hunan Province	3,041,574.14	35,976,352.52
Accounts payable to related parties (Note X, 6(2))	43,481,039.10	61,845,716.90
Receipts of liquidated damages for equity transfer of Guizhou Xinhe Lifu Real Estate Development Co., Ltd. ("Xinhe Lifu")	20,412,000.00	20,412,000.00
Others	163,036,321.11	313,314,148.47
Total	1,200,984,695.42	1,312,742,294.61

Note: The payables for equity acquisition mainly represent the equity transfer fund of RMB210,046,233.40 payable to the original shareholders of Nanjing Wind when Environment Company acquired the equity of Nanjing Wind Power in 2019, which, according to the M&A agreement, would not be paid until Nanjing Wind Power has cleared up the unrecovered employee occupation funds, recovered all of the accounts receivable, and obtained the confirmation from Environment Company.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**31. Other payables (continued)****31.3 Other payables (continued)**(2) *Significant other payables aged over 1 year*

RMB

Item	31 December 2022 (Audited)	Reason for failure in repayment or carry-forward
Total of top five other payables aged over 1 year as at 30 June 2023	489,018,209.31	Contract settlement has not been completed/ Equity transfer fund has not been cleared

32. Non-current liabilities due within one year

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Bonds payable due within one year (Note V, 35)	2,932,498,861.63	3,157,388,893.09
Long-term payables due within one year (Note V, 37)	2,213,118,082.08	2,180,436,285.12
Long-term borrowings due within one year (Note V, 34)	1,019,314,792.13	988,980,478.83
Including: Pledged borrowings	431,377,704.27	141,809,949.98
Credit borrowings	329,185,987.36	630,267,129.79
Guaranteed borrowings	254,751,100.50	208,550,329.62
Mortgage borrowings	4,000,000.00	8,353,069.44
Lease liabilities due within one year (Note V, 36)	48,389,856.31	53,517,680.22
Total	6,213,321,592.15	6,380,323,337.26

33. Other current liabilities

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Ultra-short term financing bonds (Note)	2,013,886,550.57	2,016,515,923.01
Output tax to be transferred	4,515,373.51	1,339,930.47
Total	2,018,401,924.08	2,017,855,853.48

Note: RMB1 billion of ultra-short term financing bonds was issued by the Company on 22 February 2023 with annual interest rate of 2.16% and a term of 180 days, and RMB1 billion of ultra-short term financing bonds was issued by the Company on 14 March 2023 with annual interest rate of 2.20% and a term of 180 days.

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings

(1) Classification of long-term borrowings:

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Pledged borrowings	5,313,537,387.72	6,651,244,937.96
Guaranteed borrowings	2,512,442,960.00	2,953,903,875.43
Credit borrowings	1,876,467,000.00	472,792,000.00
Guaranteed and pledged borrowings	481,751,490.00	297,301,070.00
Mortgage borrowings	98,000,000.00	100,000,000.00
Guaranteed, mortgage and pledged borrowings	65,650,000.00	76,700,000.00
Accrued interest	7,589,001.75	10,286,704.73
Total	10,355,437,839.47	10,562,228,588.12
Less: Long-term borrowings due within one year (Note V,32)	1,019,314,792.13	988,980,478.83
Long-term borrowings due after one year	9,336,123,047.34	9,573,248,109.29

(2) As at 30 June 2023, details of long-term borrowings are set out as follows:

RMB

Item	Currency	Amount	Guarantee details
Borrowing of the Company	RMB	220,000,000.00	Pledged and guaranteed by 100% equity of Qianzhi Company, Qianhui Company and Qianxin Company wind farms under Xinjiang Mulei Project
Borrowing of Qinglian Company	RMB	2,500,644,000.00	Pledged by the charging right of Qinglian Expressway
Borrowing of Qinglong Company	RMB	311,250,000.00	Pledged by the charging right of Shuiguan Expressway
Financial Leasing Company	RMB	5,310,000.00	Pledged by the rents receivable under Shaoguan Huanya Project
Financial Leasing Company	RMB	11,700,000.00	Pledged by the rents receivable under Shanxi Nuohui Project
Financial Leasing Company	RMB	15,300,000.00	Pledged by the rents receivable under Shanxi Guanhang Project
Financial Leasing Company	RMB	91,750,000.00	Pledged by the rents receivable Wuqi Dayishan Wind Power Generation Co., Ltd.
Financial Leasing Company	RMB	66,300,000.00	Pledged by the rents receivable under Wuqi Hejiu Project
Financial Leasing Company	RMB	20,000,000.00	Pledged by the rents receivable under Shangrao Bioland Environmental Protection Project
Financial Leasing Company	RMB	10,000,000.00	Pledged by the rents receivable under Xinyu Bioland Environmental Protection Project
Financial Leasing Company	RMB	3,602,094.72	Pledged by the rents receivable under Folangsi Project

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings (continued)

(2) As at 30 June 2023, details of long-term borrowings are set out as follows: (continued)

RMB

Item	Currency	Amount	Guarantee details
Financial Leasing Company	RMB	27,063,000.00	Pledged by the rents receivable of Pinghua (Dazhou) Environmental Technology Co., Ltd.
Financial Leasing Company	RMB	29,950,000.00	Pledged by the rents receivable of Xinyu Bioland
Borrowing of Qianxin Company	RMB	95,000,000.00	Pledged by the charging right of electric charge
Borrowing of Qianzhi Company	RMB	797,500,000.00	Pledged by the charging right of electric charge
Borrowing of Qianhui Company	RMB	511,500,000.00	Pledged by the charging right of electric charge
Borrowing of Baotou Lingxiang	RMB	217,000,000.00	Pledged by the charging right of electric charge
Borrowing of Coastal Company	RMB	30,000,000.00	Pledged by the charging right of Coastal Expressway and all proceeds thereunder
Borrowing of Yongcheng Zhuneng	RMB	174,000,000.00	Pledged by the charging right of Tuobin and Gaozhuang 32MW decentralized wind farm project of Shanghai Yongcheng Zhuneng New Energy Technology Co., Ltd. ("Shanghai Zhuneng")
Borrowing of Qiantai Company	RMB	102,279,293.00	Pledged by all accounts receivable arising from the sale of goods and provision of services to the external parties
Borrowing of Lisai Environmental Protection Technology	RMB	42,389,000.00	Pledged by all accounts receivable generated under the concession agreement of BOT Project of Shenzhen Municipal Biomass Waste Disposal Project
Borrowing of Guangming Environment	RMB	31,000,000.00	Pledged by all accounts receivable generated under the concession agreement of Guangming Environment Park PPP project
Sub-total of pledged borrowings		5,313,537,387.72	
Financing loan of Bay Area	RMB	741,942,960.00	Guaranteed by Bay Area Development
Borrowing of Shenzhen Expressway Shengao Lekang Health Service (Shenzhen) Co., Ltd. ("Shengao Lekang")	RMB	22,000,000.00	Bank of China provided a loan of RMB45,330,000 to Shengao Lekang, and the investment company provided 80% joint liability guarantee, i.e. RMB36,264,000 was guaranteed.
Borrowing of Shenzhen Bay Infrastructure (Shenzhen) Co., Ltd. ("Shenzhen Bay Infrastructure")	RMB	1,748,500,000.00	Guaranteed by Shenzhen Investment Holdings Bay Area Development Company Limited
Sub-total of guaranteed borrowings		2,512,442,960.00	

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings (continued)

(2) As at 30 June 2023, details of long-term borrowings are set out as follows: (continued)

RMB

Item	Currency	Amount	Guarantee details
Credit borrowing of the Company	RMB	1,719,680,000.00	Credit borrowing
Credit borrowing of Shenchang Company	RMB	50,712,000.00	Credit borrowing
Credit borrowing of Financial Leasing Company	RMB	56,700,000.00	Credit borrowing
Borrowing of Shenzhen Expressway Environment Construction Management Co., Ltd. ("Environment Company")	RMB	49,375,000.00	Credit borrowing
Sub-total of credit borrowings		1,876,467,000.00	
Borrowing of Huangshi Bioland	RMB	101,958,500.00	Guaranteed by Bioland Company and pledged by the expected revenue right paid by the government, the receivables formed by the future operating income of Huangshi Bioland and the equity of Huangshi Bioland
Borrowing of Longyou Bioland	RMB	10,500,000.00	Guaranteed by Bioland Company and pledged by the franchise rights of Longyou Bioland during the franchising period
Borrowing of Fuzhou Bioland	RMB	58,000,000.00	Guaranteed by Bioland Company and pledged by the franchise rights of Fuzhou Bioland
Borrowings of Beihai Zhonglan Environment Technology Co., Ltd. ("Beihai Zhonglan")	RMB	59,900,000.00	Guaranteed by Bioland Company and pledged by the franchise rights of Beihai Zhonglan
Borrowing of Zhuji Bioland	RMB	31,235,490.00	Guaranteed by Bioland Company and pledged by the franchise rights of Zhuji Project
Borrowing of Guilin Bioland	RMB	122,157,500.00	Guaranteed by Bioland Company and pledged by the franchise rights of Guilin Project
Borrowing of Handan Bioland	RMB	98,000,000.00	Guaranteed by the irrevocable joint liability provided by Bioland Company and pledged by accounts receivable arising from all proceeds under Handan Food Waste Recycling and Harmless Treatment PPP Project
Sub-total of guaranteed and pledged borrowings		481,751,490.00	

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**34. Long-term borrowings (continued)****(2) As at 30 June 2023, details of long-term borrowings are set out as follows: (continued)**

RMB

Item	Currency	Amount	Guarantee details
Borrowing of Qiantai Company	RMB	98,000,000.00	Mortgaged and guaranteed by the land use right of Qiantai Company
Sub-total of mortgage borrowings		98,000,000.00	
Borrowing of Guangxi Bioland	RMB	34,400,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guangxi Bioland, and pledged with the equity of Guangxi Bioland
Borrowing of Guiyang Beier Bioland	RMB	31,250,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guiyang Beier Bioland, and pledged with the equity and franchise rights of Guiyang Beier Bioland
Sub-total of guaranteed, mortgage and pledged borrowings		65,650,000.00	
Accrued interest	RMB	7,589,001.75	
Less: Long-term borrowings due within one year (Note V, 32)	RMB	1,019,314,792.13	
Long-term borrowings due after one year		9,336,123,047.34	

As at 30 June 2023, the interest rate of long-term borrowings ranges from 2.95% to 6.24% (31 December 2022: 2.05% to 5.92%).

35. Bonds payable**(1) Classification of bonds payable:**

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Long-term corporate bonds	6,748,465,370.58	8,112,338,776.38
Medium-term notes	1,835,984,918.01	814,567,547.33
Total	8,584,450,288.59	8,926,906,323.71
Less: Bonds payable due within one year (Note V, 32)	2,932,498,861.63	3,157,388,893.09
Bonds payable due after one year	5,651,951,426.96	5,769,517,430.62

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bonds payable (continued)

(2) Changes in bonds payable:

RMB

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	1 January 2023 (Audited)	Issue amount in the current period	Accrual of interest by par value	Discount and issue fee amortization	Effects of foreign currency translation	Payment amount in the current period	30 June 2023 (Unaudited)
Long-term corporate bonds (Note 1)	USD300,000,000.00	8 July 2021	5 years	USD300,000,000.00	2,094,738,029.92	-	19,133,065.33	1,770,847.25	77,812,201.19	18,282,075.00	2,175,172,068.69
Long-term corporate bonds (Note 1)	1,400,000,000.00	18 March 2020	5 years	1,400,000,000.00	1,431,897,625.32	-	9,297,580.52	1,504,794.16	-	1,442,700,000.00	-
Long-term corporate bonds (Note 1)	800,000,000.00	20 October 2020	5 years	800,000,000.00	804,371,921.13	-	14,599,999.98	207,743.40	-	-	819,179,664.51
Long-term corporate bonds (Note 1)	1,200,000,000.00	15 April 2021	5 years	1,200,000,000.00	1,227,288,378.16	-	20,949,433.98	276,317.46	-	41,880,000.00	1,206,634,129.60
Long-term corporate bonds (Note 1)	1,000,000,000.00	23 July 2021	5 years	1,000,000,000.00	1,012,405,753.96	-	16,750,000.02	266,996.88	-	-	1,029,422,750.86
Long-term corporate bonds (Note 1)	1,500,000,000.00	20 January 2022	7 years	1,500,000,000.00	1,541,637,067.89	-	23,851,125.00	270,814.03	-	47,702,250.00	1,518,056,756.92
Medium-term notes (Note 2)	800,000,000.00	13 August 2018	5 years	800,000,000.00	814,567,547.33	-	17,979,715.08	354,050.40	-	-	832,901,312.81
Medium-term notes (Note 2)	1,000,000,000.00	23 May 2023	3 years	1,000,000,000.00	-	1,000,000,000.00	3,050,605.91	32,999.29	-	-	1,003,083,605.20
Total	-	-	-	-	8,926,906,323.71	1,000,000,000.00	125,611,525.82	4,684,562.87	77,812,201.19	1,550,564,325.00	8,584,450,288.59

Note 1: Corporate bonds

The Company issued a long-term bond on 8 July 2021 with a principal value of USD300,000,000.00. The bond issuance price was 99.13% of the principal value, bearing a term of 5 years and interest at a rate of 1.75% per annum in accordance with the approval of Fa Gai Ban Wai Zi Bei [2021] No. 287 Document issued by the National Development & Reform Commission. Interest has begun to be accrued from 8 July 2021 and is repaid semi-annually. On 8 July 2026, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the USD bonds due on 18 July 2021.

The Company was permitted to publicly issue corporate bonds with a face value of not more than RMB5 billion to QFII upon approval of the Zheng Jian Xu Ke [2019] No. 2262 Document issued by the CSRC. On 18 March 2020, the Company completed the issuance of the first phase of 2020 corporate bonds, and the actual issuance scale was RMB1,400,000,000.00. The bond was issued at the rate of 3.05%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 20 March 2020 to 19 March 2025; if the investor exercises the option to sell back, the interest-bearing maturity of the portion of the bond it sells back is from 20 March 2020 to 19 March 2023. As at 30 June 2023, all has been sold back. On 20 January 2022, the Company completed the issuance of 2022 corporate bonds (first phase), and the actual issuance scale was RMB1,500,000,000.00. The bond was issued at the rate of 3.18%, and the term of the bond is 5+2 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The value date is 20 January 2022, and the interest payment date is 20 January of each year from 2023 to 2029. If the investor exercises the option to sell back, the interest payment date for the portion of the bond it sells back is 20 January of each year from 2023 to 2027.

The Company was permitted to publicly issue Green corporate bonds with a face value of not more than RMB2 billion to professional investor upon approval of the Document "Zheng Jian Xu Ke [2020] 1003" issued by the CSRC and Shanghai Stock Exchange. On 20 October 2020, the Company completed the public issuance of the first phase of 2020 Green corporate bonds, and the actual issuance scale was RMB800,000,000.00. The bond was issued at the rate of 3.65%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 22 October 2020 to 21 October 2025; if the investor exercises the option to sell back, the interest-bearing maturity of the portion of the bond it sells back is from 22 October 2020 to 21 October 2023.

On 15 April 2021, the Company completed the public issuance of the first phase of 2021 Green corporate bonds, and the actual issuance scale was RMB1,200,000,000.00. The bond was issued at the rate of 3.49%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 19 April 2021 to 18 April 2026; if the investor exercises the option to sell back, the interest-bearing maturity of the portion of the bond it sells back is from 19 April 2021 to 18 April 2024.

On 23 July 2021, the Company completed the public issuance of the first phase of 2021 corporate bonds, and the actual issuance scale was RMB1,000,000,000.00. The bond was issued at the rate of 3.35%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, and the interest-bearing term is from 27 July 2021 to 26 July 2026.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**35. Bonds payable (continued)****(2) Changes in bonds payable: (continued)**

Note 2: Medium-term notes

On 13 August 2018, as approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum, with interest to be paid once a year and principal repaid once at maturity on 15 August 2023.

On 23 May 2023, as approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB1,000,000,000.00, which bear a term of 3 years and interest at a rate of 2.89% per annum with the interest payable annually and the principal repayable in full upon maturity on 24 May 2026.

36. Lease liabilities

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Lease liabilities	109,291,274.15	101,256,379.57
Less: Lease liabilities included in non-current liabilities due within one year (Note V, 32)	48,389,856.31	53,517,680.22
Net amount	60,901,417.84	47,738,699.35

37. Long-term payables**(1) Presentation of long-term payables by nature:**

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Borrowings from associates and joint ventures (Note 1)	944,646,715.85	944,646,715.85
Borrowings from Shenzhen Investment Holdings International Capital Holding Company Limited ("Shenzhen Investment Holdings International") (Note 2)	2,183,989,141.38	2,105,041,763.41
Financial liabilities arising from sale and leaseback transactions (Note 3)	126,246,854.38	279,029,169.22
Total	3,254,882,711.61	3,328,717,648.48
Less: Long-term payables due within one year (Note V, 32)	2,213,118,082.08	2,180,436,285.12
Long-term payables due after one year	1,041,764,629.53	1,148,281,363.36

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term payables (continued)

(1) Presentation of long-term payables by nature: (continued)

Note 1: It represents the borrowings from United Land Company. As at 30 June 2023, the balance of the borrowings was RMB944,646,715.85, refer to Note X, 5(4).

Note 2: It represents the borrowings borrowed by SIHICH from Shenzhen Investment Holdings International with a term from 27 September 2018 to 26 September 2023. As at 30 June 2023, the principal and interest of the borrowings totaled RMB2,183,989,141.38. For the six months ended 30 June 2023, the interest was calculated at a rate of 2.85% per annum.

Note 3: As at 30 June 2023, the balance arising from sale and leaseback transactions represents the long-term payables arising from the sale and leaseback of the equipment of Guangxi Bioland and Dezhou Bioland Renewable Resources Co., Ltd. ("Dezhou Bioland"), which are subsidiaries of Bioland Company, with franchise rights of kitchen waste disposal of Bioland Company and 100% equity interest of Dezhou Bioland. The balance of the interest expense arising from the amortization of unrecognized financing expenses in the current period was RMB7,603,842.17. The financial leasing fee of RMB400,000.00 was paid, the principal of RMB181,103,838.50 was repaid and the interest of RMB7,178,027.82 was paid. As at 30 June 2023, the balance of this payment was RMB126,246,854.38.

38. Long-term employee benefits payable

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Other long-term employee benefits (Note)	115,649,911.45	115,716,411.45

Note: Other long-term employee benefits are the Group's long-term incentive bonuses, which are expected to be paid in subsequent years.

39. Provisions

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cost of services in the future (Note 1)	148,514,766.55	146,394,830.60
Subsequent expenditure for kitchen waste disposal project (Note 2)	44,445,623.55	39,071,788.53
Product warranty	3,153,772.89	1,864,193.03
Total	196,114,162.99	187,330,812.16

Note 1: The estimated cost of services of toll roads in the future accrued by the Group according to relevant government documents.

Note 2: It represents the expenditure expected to be incurred by the Group to maintain a certain service capacity of the kitchen waste disposal assets it holds or to maintain a certain state of use of these assets before they are handed over to the contract grantor.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**40. Deferred revenue**

RMB

Item	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)	Reason
Compensation for future cost of services of new stations on Nanguang Expressway and Yanpai Expressway	211,704,931.35	-	16,800,000.00	194,904,931.35	Compensation from Shenzhen government for future cost of services of new stations on Nanguang Expressway and Yanpai Expressway
Compensation for future cost of services of new stations on the free section of Longda Expressway	145,915,980.26	-	13,333,670.88	132,582,309.38	The Shenzhen Municipal Transportation Commission's cash compensation for the early recovery of rights and interests in the Shenzhen section of Longda Expressway
Compensation for cost of services regarding the new ramp on the free section of Meiguan Expressway	55,591,669.24	-	6,540,196.32	49,051,472.92	Compensation from Shenzhen government for future cost of services regarding the new ramp on the free section of Meiguan Expressway
Central subsidy funds for cancellation of the expressway provincial toll station project	30,252,071.17	-	3,564,699.06	26,687,372.11	The Ministry of Transport's cash subsidies for cancellation of the expressway provincial toll station project regarding the toll roads of the Company
Government economic grants for Bioland Company	22,128,255.85	1,070,000.00	965,972.94	22,232,282.91	Government grants for equipment received by Bioland Company
Government compensation for demolition	8,240,966.70	-	1,373,494.44	6,867,472.26	Government compensation for demolition received by Qinglong Company
Government financial grants for Guizhou Guishen Investment Development Company Limited ("Guishen Company") and Guizhou Land	508,847.48	-	4,752.53	504,094.95	Government financial grants received by Guishen Company and Guizhou Land
Government grants for Lisai Environmental Protection project	-	590,000.00	590,000.00	-	Government grants for equipment received by Lisai Environmental Protection
Total	474,342,722.05	1,660,000.00	43,172,786.17	432,829,935.88	

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Deferred revenue (continued)

Items involving government grants:

RMB

Item	1 January 2023 (Audited)	Additional grants in the current period	Recognized in other income/ non-operating income in the current period	30 June 2023 (Unaudited)	Related to asset/income
Central subsidy funds for cancellation of the expressway provincial toll station project	30,252,071.17	–	3,564,699.06	26,687,372.11	Related to asset
Government economic grants for Bioland Company	22,128,255.85	1,070,000.00	965,972.94	22,232,282.91	Related to asset
Government financial grants for Guishen Company and Guizhou Land	508,847.48	–	4,752.53	504,094.95	Related to asset
Government grants for Lisai Environmental Protection project	–	590,000.00	590,000.00	–	Related to asset
Total	52,889,174.50	1,660,000.00	5,125,424.53	49,423,749.97	

41. Equity

RMB

Item	1 January 2023 (Audited)	Movement					30 June 2023 (Unaudited)
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Equity	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

42. Other equity instruments

As at 30 June 2023, the specific situation of the Group's outstanding perpetual bonds is as follows:

RMB

Item	Issue date	Accounting classification	Interest rate	Amount	Expiry day or renewal situation	Transfer conditions	General information of transfer
Perpetual bonds	4 December 2020	Other equity instruments	4.6%	4,000,000,000.00	No fixed deadline	Nil	Nil

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**43. Capital reserve**

RMB

Item	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)
Share premium	4,088,787,596.29	–	–	4,088,787,596.29
Including: Contributions from investors	1,444,510,961.24	–	–	1,444,510,961.24
Business combination involving entities under common control	2,759,887,122.51	–	–	2,759,887,122.51
Acquisition of minority interests in subsidiaries	(114,598,966.13)	–	–	(114,598,966.13)
Capital injection in the investee	(1,011,521.33)	–	–	(1,011,521.33)
Other capital reserve (Note 1)	301,811,539.31	–	25,820,044.54	275,991,494.77
Total	4,390,599,135.60	–	25,820,044.54	4,364,779,091.06

Note 1: The capital reserve was decreased by RMB25,820,044.54 based on the shareholding ratio as a result of the changes in capital reserve of the associates and joint ventures held by the Group during the period.

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Other comprehensive income

RMB

Item	1 January 2023 (Audited)	Amount incurred in the current period					30 June 2023 (Unaudited)
		Pre-tax amount incurred during the period	Less: Amount included in other comprehensive income in the previous period and transferred to profit or loss in the current period	Less: Income tax expense	Amount attributable to owners of the parent company, net of tax	Amount attributable to minority shareholders, net of tax	
I. Other comprehensive income that may not be reclassified to profit or loss	-	-	-	-	-	-	-
Including: Changes from remeasurement of defined benefit plans	-	-	-	-	-	-	-
II. Other comprehensive income that may be reclassified to profit or loss	(408,012,206.05)	(363,767,151.41)	-	-	(341,824,332.51)	(21,942,818.90)	(749,836,538.56)
Including: Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	-	-	-	893,132,218.74
- Other comprehensive income that will be reclassified to profit or loss under the equity method (Note V, 13)	(46,118,896.94)	6,519,370.70	-	-	6,519,370.70	-	(39,599,526.24)
- Translation differences of financial statements denominated in foreign currencies	(1,255,431,707.85)	(370,286,522.11)	-	-	(348,343,703.21)	(21,942,818.90)	(1,603,775,411.06)
Others	406,180.00	-	-	-	-	-	406,180.00
Total other comprehensive income	(408,012,206.05)	(363,767,151.41)	-	-	(341,824,332.51)	(21,942,818.90)	(749,836,538.56)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**45. Surplus reserve**

RMB

Item	1 January 2023 (Audited)	Additions in the current period	Reductions in the current period	30 June 2023 (Unaudited)
Statutory surplus reserve	2,650,260,329.93	114,539,572.89	–	2,764,799,902.82
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	3,103,651,659.99	114,539,572.89	–	3,218,191,232.88

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the shareholders' meeting, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company has appropriated statutory surplus reserve of RMB114,539,572.89 for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB172,052,187.30).

The amount of the Company's discretionary surplus reserve was proposed by the Board of Directors and has been approved by the Annual General Meeting. The discretionary surplus reserve can be used to make up for previous years' loss or increase capital upon approval. The Company has not appropriated any discretionary surplus reserve for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Undistributed profits

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	2022 (Restated) (Unaudited)
Balance of undistributed profits at the end of the last period before adjustment	8,079,278,802.54	8,540,070,494.76
Total opening balance of undistributed profits adjusted	2,179,848.75	(1,377,494,180.41)
Opening balance of undistributed profits after adjustment	8,081,458,651.29	7,162,576,314.35
Add: Net profit attributable to shareholders of the parent company in the current period	929,275,101.01	2,011,258,952.74
Less: Appropriation for statutory surplus reserve	114,539,572.89	172,052,187.30
Ordinary share dividend payable (Note)	1,007,515,890.61	1,352,077,602.12
Dividends paid to other equity instruments	92,511,111.11	186,555,555.55
Effects of business combination involving enterprises under common control	-	-
Effects of acquisition of equity from minority shareholders	-	(634,456,517.39)
Others	(11,957,298.93)	16,147,788.22
Closing balance of undistributed profits	7,808,124,476.62	8,081,458,651.29

Note: According to the resolution of the annual shareholders' meeting on 16 May 2023, the Company distributes 2022 cash dividends to all shareholders at RMB0.462 per share. Based on the 2,180,770,326 shares issued, a total of RMB1,007,515,890.61 cash dividends are distributed, of which a cash dividend of RMB662,170,890.61 is distributed for 1,433,270,326 A shares issued, and a cash dividend of HKD390,338,542.43 (equivalent to RMB345,345,000.00) is distributed for 747,500,000 H shares issued. As at 30 June 2023, the A-share dividend of the above dividend has been paid.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs

(1) Details of operating income and costs

RMB

Item	For the six months ended 30 June 2023 (Unaudited)		For the six months ended 30 June 2022 (Unaudited)	
	Revenue	Cost	Revenue	Cost
Main business – Toll road	2,598,948,376.71	1,219,675,497.71	2,410,155,296.36	1,260,589,072.74
Main business – Environmental protection	752,407,236.14	570,845,555.62	836,209,660.64	566,356,526.08
– Sales of wind turbine equipment	530,973.45	8,188,019.57	25,732,414.97	20,098,509.39
– Wind power	347,535,561.51	128,623,370.47	357,425,869.04	129,016,745.85
– Construction of kitchen waste disposal projects	–	33,005,317.07	71,065,476.23	73,165,042.94
– Operation of kitchen waste disposal projects	281,217,446.22	262,981,169.24	218,931,306.80	173,740,170.33
– Sales of kitchen waste disposal equipment	1,091,334.69	9,839,387.72	8,866,666.21	16,919,015.99
– Others	122,031,920.27	128,208,291.55	154,187,927.39	153,417,041.58
Other services	773,524,352.43	690,092,989.73	847,728,688.65	674,241,479.93
– Entrusted construction and management services	184,805,753.22	172,438,374.42	413,472,908.51	333,155,421.61
– Construction service under franchise arrangements	403,764,785.26	403,764,785.26	250,103,645.07	250,103,645.07
– Financial leasing	46,196,396.09	17,040,489.65	44,687,629.22	23,270,262.88
– Real estate development	14,103,100.92	12,146,056.17	25,234,650.46	14,874,771.29
– Advertising	5,922,992.37	2,550,068.66	11,107,610.47	7,574,492.67
– Others	118,731,324.57	82,153,215.57	103,122,244.92	45,262,886.41
Total	4,124,879,965.28	2,480,614,043.06	4,094,093,645.65	2,501,187,078.75

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs (continued)

(2) Breakdown of operating income

For the six months ended 30 June 2023

RMB

Reporting segment	Toll road	Environmental protection	Entrusted management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	2,257,071,146.38	181,228,350.67	179,126,139.75	46,196,396.09	381,022,970.47	122,240,584.75	3,166,885,588.11
Hunan Province	341,772,010.56	7,021,341.94	-	-	-	2,325,077.67	351,118,430.17
Guizhou Province	-	42,881,949.28	5,679,613.47	-	2,346,911.11	14,191,755.44	65,100,229.30
Hubei Province	105,219.77	6,796,657.12	-	-	-	-	6,901,876.89
Jiangsu Province	-	15,994,450.15	-	-	-	-	15,994,450.15
Inner Mongolia Autonomous Region	-	148,228,862.32	-	-	2,345,816.04	-	150,574,678.36
Guangxi Zhuang Autonomous Region	-	51,821,489.06	-	-	11,315,966.27	-	63,137,455.33
Shandong Province	-	17,116,394.91	-	-	-	-	17,116,394.91
Zhejiang Province	-	11,173,755.90	-	-	-	-	11,173,755.90
Sichuan Province	-	19,973,640.01	-	-	1,235,570.41	-	21,209,210.42
Jiangxi Province	-	23,246,916.39	-	-	-	-	23,246,916.39
Hebei Province	-	8,632,465.18	-	-	-	-	8,632,465.18
Xinjiang Uygur Autonomous Region	-	159,913,638.08	-	-	-	-	159,913,638.08
Henan Province	-	24,428,238.23	-	-	-	-	24,428,238.23
Ningxia Hui Autonomous Region	-	33,949,086.90	-	-	-	-	33,949,086.90
Anhui Province	-	-	-	-	5,497,550.96	-	5,497,550.96
Total	2,598,948,376.71	752,407,236.14	184,805,753.22	46,196,396.09	403,764,785.26	138,757,417.86	4,124,879,965.28
Main service categories							
Timing of revenue recognition							
Revenue recognized at a point in time	2,598,948,376.71	752,407,236.14	-	-	-	64,670,677.73	3,416,026,290.58
Revenue recognized over time	-	-	184,805,753.22	-	403,764,785.26	68,163,747.76	656,734,286.24
Total	2,598,948,376.71	752,407,236.14	184,805,753.22	-	403,764,785.26	132,834,425.49	4,072,760,576.82

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs (continued)

(2) Breakdown of operating income (continued)

For the six months ended 30 June 2022

RMB

Reporting segment	Toll road	Environmental protection	Entrusted management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	1,900,241,063.42	186,502,036.18	295,884,325.46	44,687,629.22	187,186,236.65	107,513,145.14	2,722,014,436.07
Hunan Province	314,475,181.19	-	-	-	-	4,630,511.31	319,105,692.50
Guizhou Province	-	55,960,169.70	116,911,499.74	-	3,446,132.15	25,369,845.63	201,687,647.22
Hubei Province	195,439,051.75	8,248,216.47	-	-	-	-	203,687,268.22
Jiangsu Province	-	42,185,261.00	-	-	-	1,951,003.77	44,136,264.77
Inner Mongolia Autonomous Region	-	115,525,338.27	677,083.31	-	397,797.60	-	116,600,219.18
Guangxi Zhuang Autonomous Region	-	74,468,843.40	-	-	32,214,996.24	-	106,683,839.64
Shandong Province	-	26,611,257.13	-	-	-	-	26,611,257.13
Zhejiang Province	-	13,317,150.47	-	-	-	-	13,317,150.47
Sichuan Province	-	17,353,511.53	-	-	10,555,900.65	-	27,909,412.18
Jiangxi Province	-	42,862,501.75	-	-	-	-	42,862,501.75
Hebei Province	-	5,987,141.76	-	-	-	-	5,987,141.76
Xinjiang Uygur Autonomous Region	-	192,064,945.75	-	-	-	-	192,064,945.75
Henan Province	-	24,191,575.22	-	-	-	-	24,191,575.22
Ningxia Hui Autonomous Region	-	25,588,818.64	-	-	-	-	25,588,818.64
Anhui Province	-	5,342,893.37	-	-	16,302,581.78	-	21,645,475.15
Total	2,410,155,296.36	836,209,660.64	413,472,908.51	44,687,629.22	250,103,645.07	139,464,505.85	4,094,093,645.65

Main service categories	Toll road	Environmental protection	Entrusted management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Timing of revenue recognition							
Revenue recognized at a point in time	2,410,155,296.36	765,144,184.41	-	-	-	56,428,169.30	3,231,727,650.07
Revenue recognized over time	-	71,065,476.23	413,472,908.51	-	250,103,645.07	71,928,726.08	806,570,755.89
Total	2,410,155,296.36	836,209,660.64	413,472,908.51	-	250,103,645.07	128,356,895.38	4,038,298,405.96

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs (continued)

(3) Description of performance obligations

The main businesses of the Group are toll highways, environmental protection, etc. please refer to Note III, 26.

There is no major financing component in the revenue contract of the Group.

(4) Explanation of allocation to remaining performance obligations

At the end of the period, the contract liabilities corresponding to the performance obligations for which the Group has entered into a contract but which has not been fulfilled or completely fulfilled are RMB102,681,220.30, and revenue will be recognized when the customer obtains control of the product.

48. Taxes and surcharges

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
City maintenance and construction tax	6,973,722.38	5,852,274.27
Educational surcharge	5,084,433.98	4,366,176.45
Property tax	5,593,521.02	3,542,692.42
Stamp tax	661,940.70	1,360,319.52
Land appreciation tax	–	2,349,264.25
Others	663,997.97	1,945,800.67
Total	18,977,616.05	19,416,527.58

49. Selling expenses

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Salaries and wages	6,398,964.91	11,740,542.77
Low-value consumables	1,489,165.15	19,146.76
Travel fees	623,778.03	936,163.72
Advertising expenses and business promotion expenses	572,456.59	2,036,772.24
Depreciation and amortization	367,077.35	392,722.66
Business entertainment	32,695.80	60,843.07
Others	2,342,137.67	2,171,117.73
Total	11,826,275.50	17,357,308.95

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**50. General and administrative expenses**

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Salaries and wages	93,557,127.50	112,318,183.93
Depreciation and amortization	55,197,905.19	46,758,440.74
Office building management fees	7,363,492.90	1,934,489.83
Legal and advisory fees	6,863,937.42	4,729,127.41
Office and communication charges	2,740,548.16	3,891,107.54
Audit fees	2,441,466.55	2,236,187.56
Travel fees	1,745,925.81	948,335.32
Rents	1,705,927.50	2,546,448.23
Stock exchange fees	1,703,182.56	3,642,983.25
Business entertainment fees	1,469,658.82	1,393,561.32
Vehicle fees	870,222.00	774,160.44
Others	7,006,702.65	12,106,766.23
Total	182,666,097.06	193,279,791.80

51. Research and development expenses

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Labor cost	6,591,212.90	6,054,350.93
Direct consumables	3,338,226.20	2,497,729.43
Depreciation and amortization	3,064,049.75	7,028,817.03
Technical service fee	95,135.13	51,245.34
Others	821,472.85	2,632,070.34
Total	13,910,096.83	18,264,213.07

The research and development expenses include costs of materials and labor, depreciation and amortization of R&D machines used in the development of patents. The R&D expenses in this period mainly include the expenses on research and development of green recycling technology for waste batteries of Qiantai Company, those on research and development of various environmental protection device systems and process technologies of Bioland Company and Lisai, and those on research and development of wind turbines for Nanjing Wind Power.

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Financial expenses

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Interest expenses	592,157,021.73	576,712,164.04
Including: Interest expenses on borrowings	383,455,599.65	363,896,945.71
Interest expenses on bonds payable	154,556,726.92	155,402,913.81
Interest expenses on long-term payables	40,713,926.48	18,826,050.11
Unrecognized financing expenses of compensation for newly-built toll station of Longda Expressway and Three Expressways	7,920,000.00	15,346,803.54
Interest expenses on lease liabilities (Note XIII, 2(2))	2,277,437.01	10,222,984.20
Interest expenses on provisions	3,087,823.67	6,705,375.45
Interest expenses on notes discounted	145,508.00	4,939,601.14
Interest expenses on house payment received in advance	–	1,371,490.08
Less: Interest income	34,123,240.65	96,421,248.17
Less: Interest capitalized	3,679,635.85	12,711,315.74
Including: Interest expense capitalized	3,713,143.91	18,828,491.84
Interest income capitalized	33,508.06	6,117,176.10
Exchange losses	104,086,163.57	247,869,519.96
Others	6,049,034.98	2,706,946.47
Total	664,489,343.78	718,156,066.56

For the six months ended 30 June 2023, the capitalization amount of the Group's borrowing costs included in inventories and intangible assets is set out in Note V, 7 (3) and Note V, 19 (3).

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**52. Financial expenses (continued)**

Details of interest income are listed as follows:

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Interest on deposits	23,428,474.86	84,252,642.08
Interest income on other non-current assets	10,694,765.79	11,626,748.75
Interest income on long-term receivables	–	541,857.34
Less: Interest income capitalized	33,508.06	6,117,176.10
Total	34,089,732.59	90,304,072.07

RMB

53. Other income

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Government grants related to daily activities	5,275,424.53	4,536,022.29
Tax refund and additional deduction of VAT	7,204,599.31	2,656,686.23
Others	733,277.86	3,229,096.09
Total	13,213,301.70	10,421,804.61

RMB

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Other income (continued)

Government grants related to daily activities are as follows:

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)	Related to asset/income
Government subsidy for R&D	150,000.00	–	Related to income
Central government subsidy for cancellation of provincial expressway toll station project (Note V, 40)	3,564,699.06	3,564,699.06	Related to asset
Government financial aid for Bioland Company (Note V, 40)	965,972.94	961,439.04	Related to asset
Government grants for Lisai Environmental Protection project (Note V, 40)	590,000.00	–	Related to asset
Government financial grants for Guishen Company and Guizhou Land (Note V, 40)	4,752.53	9,884.19	Related to asset
Total	5,275,424.53	4,536,022.29	

54. Investment income

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Income from long-term equity investments under the equity method (Note V, 13)	341,367,589.39	329,710,423.63
Investment income from transactional financial assets	11,867,748.85	–
Investment income from other non-current financial assets during the holding period	9,554,747.72	9,199,200.01
Investment income from disposal of long-term equity investments	1,160,214.26	–
Others	205,901.81	–
Total	364,156,202.03	338,909,623.64

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**55. Gains from changes in fair value**

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Financial assets (liabilities) measured at fair value through profit or loss	148,232,568.84	110,627,475.53
Including: Other non-current financial assets (Note V,14)	100,429,019.47	107,372,297.09
Derivative financial instruments	47,803,549.37	3,255,178.44
Total	148,232,568.84	110,627,475.53

56. Credit impairment losses

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Impairment losses of accounts receivable	(8,491,882.33)	(20,091,394.90)
Impairment losses of long-term receivables	3,183,924.65	(5,643,800.38)
Impairment losses of other receivables	(1,838,619.58)	1,129,998.08
Impairment losses of contract assets	(5,018,309.96)	–
Impairment losses of non-current assets due within one year	(3,388,030.22)	5,159,213.49
Total	(15,552,917.44)	(19,445,983.71)

57. Losses on impairment of assets

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Losses on decline in value of inventories	(41,237,184.70)	(4,470,583.11)
Losses on impairment of fixed assets	–	(23,039.31)
Total	(41,237,184.70)	(4,493,622.42)

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Non-operating income

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)	Amount recognized in non-recurring profit or loss for the period
Government grants not related to daily activities	144,984.04	1,452,701.98	144,984.04
Others	4,643,952.69	5,030,430.28	4,643,952.69
Total	4,788,936.73	6,483,132.26	4,788,936.73

(1) Government grants not related to daily activities are as follows:

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)	Related to asset/income
Government incentives	144,984.04	1,452,701.98	Related to income

59. Non-operating expenses

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)	Amount recognized in non-recurring profit or loss for the period
Losses on damage or retirement of non-current assets	87,824.14	51,569.21	87,824.14
Donation	188,000.00	310,335.30	188,000.00
Others	37,400,851.32	1,915,948.56	37,400,851.32
Total	37,676,675.46	2,277,853.07	37,676,675.46

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Income tax expenses

(1) Classification of income tax expense

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated) (Unaudited)
Current tax expense	256,388,986.19	205,564,454.95
Deferred tax expense	13,856,065.68	(14,104,173.45)
Total	270,245,051.87	191,460,281.50

(2) Reconciliation of income tax expenses to the accounting profit is as follows:

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Restated) (Unaudited)
Profit before tax	1,201,068,449.34	1,071,487,998.43
Income tax expenses calculated at the statutory/ applicable tax rate	300,267,112.34	267,871,999.61
Effect of different tax rates applicable to certain subsidiaries	(57,377,152.62)	(8,031,532.17)
Effect of income not subject to tax	(76,403,028.72)	(121,412,453.62)
Effect of deductible temporary differences or deductible losses for which deferred tax assets not recognized for the period	75,764,538.36	108,294,765.96
Effect of adjusting income tax of the previous year	27,534,186.17	(56,678,761.56)
Effect of cost, expenses and losses not deductible	459,396.34	1,595,717.88
Effect of recognizing previously unrecognized deductible losses and deductible temporary differences	–	(179,454.60)
Income tax expenses	270,245,051.87	191,460,281.50

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Items in the cash flow statement

(1) Other cash received relating to operating activities

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Security deposit received and recovered	67,310,586.48	13,517,717.88
Funds temporarily received	20,007,556.79	55,745,768.71
Government grants received	7,096,200.00	1,452,701.98
Project advances received	–	12,867,945.20
Others	50,728,711.10	93,823,108.93
Total	145,143,054.37	177,407,242.70

(2) Other cash payments relating to operating activities

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Project funds paid	105,063,359.69	38,654,774.98
Withholding payments paid	12,444,449.49	42,299,247.12
Intermediary service fee	26,123,424.73	22,880,951.46
Security deposit paid and returned	85,983,833.42	25,455,040.38
Employee borrowings paid	2,681,056.54	1,841,324.66
Others	107,992,565.07	87,844,622.49
Total	340,288,688.94	218,975,961.09

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**61. Items in the cash flow statement (continued)****(3) Other cash received relating to investing activities**

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Loan principal recovered	210,000,000.00	–
Interest income	13,198,916.54	37,506,245.58
Others	1,032,532.06	9,979,822.31
Total	224,231,448.60	47,486,067.89

(4) Other cash payments relating to investing activities

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Payments for expenses related to the construction of Shaoyang project	1,308,251.91	–
Others	419,055.33	–
Total	1,727,307.24	–

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Items in the cash flow statement (continued)

(5) Other cash received relating to financing activities

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Refundable finance lease deposits received	–	12,000,000.00
Others	–	71,778.17
Total	–	12,071,778.17

(6) Other cash payments relating to financing activities

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Repayment of principal and interest on lease liabilities	12,449,726.71	19,243,955.22
Payment of principal and interest on sale and leaseback financing	46,296,842.40	64,840,096.60
Repayment of capital contribution from minority shareholders	20,608,632.95	28,058,311.04
Brokerage fees for issuing bonds	618,322.66	5,776,436.90
Others	3,880,538.09	14,060,001.85
Total	83,854,062.81	131,978,801.61

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	930,823,397.47	880,027,716.93
Add: Credit impairment loss	15,552,917.44	19,445,983.71
Impairment loss of assets	41,237,184.70	4,493,622.42
Depreciation of fixed assets	242,695,348.13	266,874,919.06
Depreciation of right-of-use assets	16,840,436.93	35,289,139.92
Amortization of investment properties	707,144.18	1,043,651.15
Amortization of intangible assets	899,397,799.87	806,979,398.05
Amortization of long-term prepaid expenses	9,908,945.21	12,702,921.75
Gains on disposal of fixed assets, intangible assets, and other long-term assets	(12,747,724.64)	(4,830,762.65)
Losses on damage and retirement of non-current assets	87,824.14	51,569.21
Gains on change in fair value	(148,232,568.84)	(110,627,475.53)
Financial expenses	588,443,877.82	718,156,066.56
Investment income	(364,156,202.03)	(338,909,623.64)
Decrease in deferred tax assets	61,140,769.40	36,239,682.44
Decrease in deferred tax liabilities	(47,284,703.72)	(50,164,401.29)
Increase in inventories	(81,615,327.90)	(76,609,031.01)
Increase in operating receivables	(269,481,125.55)	(46,089,412.78)
Increase (decrease) in operating payables	20,033,793.47	(561,559,353.29)
Net cash flows from operating activities	1,903,351,786.08	1,592,514,611.01
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	3,562,940,475.29	5,506,999,749.30
Less: Opening balance of cash and cash equivalents	3,197,002,667.41	5,456,959,403.09
Net increase in cash and cash equivalents	365,937,807.88	50,040,346.21

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Supplementary information to the cash flow statement (continued)

(2) Composition of cash and cash equivalents

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
I. Cash	3,562,940,475.29	3,197,002,667.41
Including: Cash on hand	7,190,567.60	9,205,134.25
Cash at banks that can be withdrawn on demand	3,555,749,907.69	3,187,797,533.16
II. Balance of cash and cash equivalents at the end of the period	3,562,940,475.29	3,197,002,667.41
Add: Restricted cash and cash equivalents held by the Company and subsidiaries of the Group (Note V, 1)	609,156,140.51	438,629,991.31
Add: Interest on bank deposits	229,500.00	229,500.00
III. Cash at banks and on hand	4,172,326,115.80	3,635,862,158.72

63. Assets with ownership or use right restricted

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)	Reason for restriction
Charging right of Qinglian Expressway	5,375,240,292.85	5,549,959,178.08	Pledge
Charging right of Shenzhen Section of Coastal Expressway	5,733,592,886.94	5,685,204,792.49	Pledge
Charging right of Outer Ring Expressway	–	5,260,258,467.14	Pledge
Charging right of Shuiguan Expressway	1,135,398,441.43	1,337,172,203.81	Pledge
The 100% equity in Meiguan Company	–	550,316,866.01	Pledge
The 45% equity in JEL Company	105,041,209.89	105,042,832.27	Pledge
The 100% equity in Qianxin Company	289,954,028.10	280,674,184.36	Pledge
The 100% equity in Qianzhi Company and Qianhui Company	1,011,851,317.71	951,192,963.25	Pledge
The 88.64% equity in SIHICH	2,449,464,795.62	–	Pledge
Cash at banks and on hand	609,156,140.51	438,629,991.31	See Note V, 1
Land use right of Langfang Waterland Machinery Manufacturing Co., Ltd. ("Langfang Waterland")	–	101,439,576.70	Mortgage
Land use right of Qiantai Company	31,933,580.34	88,831,497.98	Mortgage

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Assets with ownership or use right restricted (continued)

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)	Reason for restriction
Equity, franchise rights or production equipment, etc. of kitchen waste disposal projects of certain subsidiaries of Bioland Company	1,540,946,628.53	1,864,888,397.97	Mortgage and pledge
Collection rights to accounts receivable of financing lease projects	829,815,596.32	623,394,734.34	Pledge
Collection rights to accounts receivable of Nanjing Wind Power	524,792,143.91	–	Pledge
Collection rights to accounts receivable of Qiantai Company	86,620,027.29	70,392,218.85	Pledge
Collection rights to accounts receivable of BOT project of Lisai Environmental Protection	11,839,047.95	15,945,461.08	Pledge
Collection rights to accounts receivable of wind power enterprises under Baotou Nanfeng	5,893,796.52	–	Pledge
Collection rights to accounts receivable of Guangming Environmental Technology PPP project	–	–	Pledge
Total	19,741,539,933.91	22,923,343,365.64	

Note: In addition to those mentioned above, the Group pledged with the charging rights to electric charge of Qianxin Company, Qianzhi Company, Qianhui Company, Yongcheng Zhuneng and Baotou Lingxiang, subsidiaries of the Company. Refer to Note V, 34 for details.

Notes to Financial Statements

For the six months ended 30 June 2023

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies:

Item	30 June 2023	Exchange rate	Equivalent to RMB
Cash at banks and on hand			
HKD	75,533,782.44	0.92	69,640,636.74
USD	1,130,360.91	7.23	8,167,761.85
EUR	12.00	7.88	94.53
FRF	11.70	8.06	94.32
ESP	446.00	0.05	20.88
JPY	380.09	0.05	19.04
Other receivables			
HKD	972,839.00	0.92	896,938.10
Short-term borrowings			
HKD	9,472,353,840.01	0.92	8,733,320,793.41
Transactional financial liabilities			
HKD	95,147,800.00	0.92	87,724,368.64
Employee benefits payable			
HKD	77,831.81	0.92	71,759.37
USD	22,062.99	7.23	159,515.42
Other payables			
HKD	118,542,723.12	0.92	109,939,157.79
USD	1,665.00	7.26	12,031.52
Dividends payable			
HKD	291,630,672.34	0.92	268,877,647.28
Non-current liabilities due within one year			
HKD	80,000,000.00	0.92	74,197,046.00
USD	304,778,547.63	7.23	2,202,268,829.46
Bonds payable			
USD	300,000,000.00	7.23	2,157,273,395.77
Long-term borrowings			
HKD	720,000,000.00	0.92	667,623,277.85
Lease liabilities			
HKD	3,072,844.53	0.92	2,833,101.20

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Monetary items denominated in foreign currencies (continued)

(2) Overseas operating entities

The significant overseas operating entities of the Group include Mei Wah Company, SIHICH and Bay Area Development, among which Mei Wah Company, an investment and financing company, originally chosen RMB as its functional currency. Due to the acquisition of 100% equity interest in SIHICH through an overseas loan in HKD during 2022, Mei Wah Company indirectly holds 71.83% equity interest in Bay Area Development, a company listed in Hong Kong. Since then, the environment in which Mei Wah Company generates and expends cash has changed significantly, and in order to reflect the financial position of Mei Wah Company in an objective and accurate manner, Mei Wah Company has, since 1 July 2022, changed its functional currency from RMB to HKD. SIHICH is an investment company which chooses HKD as its functional currency, and its principal subsidiaries and joint ventures determine RMB as their functional currency on the basis of the primary economic environment in which they operate. Bay Area Development is an investment company whose investment entities have their principal operating activities in mainland China and choose RMB as their functional currency.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combination not involving entities under common control

There is no business combination not involving entities under common control in the current period.

2. Business combination involving entities under common control

There is no business combination involving entities under common control in the current period.

3. Changes in scope of consolidation for other reasons

(1) New subsidiaries for the period

Shenzhen Jinshen New Energy Co., Ltd. (“Jinshen New Energy”) was established in Shenzhen, Guangdong Province on 11 March 2023 with a registered capital of RMB1,000,000,000.00 and the Group holds 65.00% of its equity. The company’s scope of operation is the production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current period.

Shenzhen Expressway Shengneng Technology Co., Ltd. (“Expressway Shengneng”) was established in Shenzhen, Guangdong Province on 13 March 2023 with a registered capital of RMB15,000,000.00 and the Group holds 100.00% of its equity. The company’s scope of operation is the production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current period.

Guizhou Ziyun Jinshen New Energy Co., Ltd. (“Guizhou Ziyun”) was established in Anshun, Guizhou Province on 17 March 2023 with a registered capital of RMB50,000,000.00 and the Group holds 65.00% of its equity. The Company’s scope of operation is production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current period.

Xingren Yuansheng New Energy Co., Ltd. (“Xingren Yuansheng”) was established in Xingren, Guizhou Province on 11 April 2023 with a registered capital of RMB2,000,000.00 and the Group holds 65.00% of its equity. The Company’s scope of operation is production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current period.

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For the six months ended 30 June 2023

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

3. Changes in scope of consolidation for other reasons (continued)

(1) New subsidiaries for the period (continued)

Duyun Jinxin New Energy Co., Ltd. (“Duyun Jinxin”) was established in Duyun, Guizhou Province on 18 April 2023 with a registered capital of RMB1,000,000.00 and the Group holds 65.00% of its equity. The Company’s scope of operation is production and supply of electricity and heat. This newly-established subsidiary was included in the scope of consolidation during the current period.

(2) Cancellation of subsidiaries for the period

Shenzhen High Speed Advertising Limited Company, Shenzhen Expressway SUEZ Environment Limited Company and Harbin Lingfeng New Energy Co., Ltd., subsidiaries of the Group, have been cancelled, the taxation and business cancellation procedures of which were completed on 6 June 2023, 2 January 2023 and 30 May 2023 respectively.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group:

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Outer Ring Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	6,500,000,000.00	100.00	–	Incorporation
Investment Company	Guizhou Province, PRC	Shenzhen, Guangdong Province, PRC	Investment	1,000,000,000.00	100.00	–	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	500,000,000.00	–	70.00	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	158,000,000.00	–	100.00	Incorporation
Shenzhen Expressway Property Management Company Limited	Longli County, Guizhou Province, PRC	Shenzhen, Guangdong Province, PRC	Property management	1,000,000.00	–	100.00	Incorporation
Environment Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental projects and advisory	6,550,000,000.00	100.00	–	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	–	100.00	Business combinations under common control
Hubei Magerk Expressway Management Co., Ltd.	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	–	100.00	Business combinations under common control
Qinglian Company	Qingyuan, Guangdong Province, PRC	Qingyuan, Guangdong Province, PRC	Toll road operation	3,361,000,000.00	51.37	25.00	Business combinations not under common control
Meiguan Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	332,400,000.00	100.00	–	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Composition of the Group: (continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong, PRC	Investment holding	HKD7,953,813.00	100.00	–	Business combinations not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	–	100.00	Business combinations not under common control
Fameluxe Company	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD10,000.00	–	100.00	Business combinations not under common control
Shenzhen Expressway Operation Development Co., Ltd. ("Operation Development Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	60,000,000.00	98.70	1.30	Incorporation
Qinglong Company (Note 1)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	324,000,000.00	40.00	10.00	Business combinations not under common control
Shenchang Company	Changsha, Hunan Province, PRC	Changsha, Hunan Province, PRC	Toll road operation	200,000,000.00	51.00	–	Business combinations not under common control
Yichang Company	Changde, Hunan Province, PRC	Changde, Hunan Province, PRC	Toll road operation	345,000,000.00	100.00	–	Business combinations not under common control
Shenzhen Expressway Construction Development Company Limited ("Construction Development Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Infrastructure construction	30,000,000.00	100.00	–	Incorporation
Infrastructure Environment Protection Development Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Infrastructure environment protection business	500,000,000.00	51.00	49.00	Incorporation
Shenzhen Express Private Equity Industry Investment Fund Management Co., Ltd. ("Fund Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Capital market services	19,607,800.00	51.00	–	Incorporation
Shenzhen Guangshen Coastal Expressway Investment Company Limited ("Coastal Expressway")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	5,714,285,714.00	49.00	51.00	Business combination under common control
Guishen Expressway Investment	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000.00	–	100.00	Incorporation

Notes to Financial Statements

For the six months ended 30 June 2023

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Composition of the Group: (continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Shenzhen Expressway Yijia Apartment Management Limited Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Apartment leases and management	10,000,000.00	-	60.00	Incorporation
Yefengrui Land	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000.00	-	100.00	Incorporation
Nanjing Wind Power	Nanjing, Jiangsu Province, PRC	Nanjing, Jiangsu Province, PRC	Manufacturing	357,142,900.00	-	51.00	Business combinations not under common control
Baotou Jinling Wind Power Technology Co., Ltd.	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Manufacturing	20,000,000.00	-	100.00	Business combinations not under common control
Xuanwei Nanfeng New Energy Co., Ltd.	Qujing, Yunnan Province, PRC	Qujing, Yunnan Province, PRC	Manufacturing	3,000,000.00	-	100.00	Business combinations not under common control
Shangzhi Nanfeng New Energy Technology Co., Ltd.	Shangzhi City, Heilongjiang Province, PRC	Shangzhi City, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	100.00	Incorporation
Baotou Nanfeng	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	632,800,000.00	0.95	99.05	Business combinations not under common control
Baotou Lingxiang	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	148,100,000.00	-	100.00	Business combinations not under common control
Damaoqi Nanchuan Wind Power Co., Ltd.	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	128,200,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningyuan Wind Power Co., Ltd.	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	179,000,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningxiang Wind Power Co., Ltd.	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	129,500,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningfeng Wind Power Co., Ltd.	Baotou, Inner Mongolia Autonomous Region, PRC	Baotou, Inner Mongolia Autonomous Region, PRC	Wind power	126,000,000.00	-	100.00	Business combinations not under common control
Bioland Company	Shenzhen, Guangdong Province, PRC	Zhengzhou, Henan Province, PRC	Environment and facility services	505,439,108.00	-	92.29	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Composition of the Group: (continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Guangxi Bioland	Nanning, Guangxi Zhuang Autonomous Region, PRC	Nanning, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	225,996,600.00	-	100.00	Business combinations not under common control
Dezhou Bioland	Dezhou, Shandong Province, PRC	Dezhou, Shandong Province, PRC	Kitchen waste disposal	50,000,000.00	-	100.00	Business combinations not under common control
Guiyang Beier Bioland	Guiyang, Guizhou Province, PRC	Guiyang, Guizhou Province, PRC	Kitchen waste disposal	110,923,700.00	-	100.00	Business combinations not under common control
Taizhou Bioland	Taizhou, Jiangsu Province, PRC	Taizhou, Jiangsu Province, PRC	Kitchen waste disposal	68,000,000.00	-	100.00	Business combinations not under common control
Dezhou Zhonghe Environmental Protection Equipment Manufacturing Co., LTD	Dezhou, Shandong Province, PRC	Dezhou, Shandong Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Kunshan Beier Bioland Environmental Technology Co., Ltd.	Kunshan, Jiangsu Province, PRC	Kunshan, Jiangsu Province, PRC	Kitchen waste disposal	25,000,000.00	-	95.00	Business combinations not under common control
Longyou Bioland	Quzhou, Zhejiang Province, PRC	Quzhou, Zhejiang Province, PRC	Kitchen waste disposal	10,500,000.00	-	100.00	Business combinations not under common control
Langfang Waterland	Langfang, Hebei Province, PRC	Langfang, Hebei Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Shangrao Bioland	Shangrao, Jiangxi Province, PRC	Shangrao, Jiangxi Province, PRC	Kitchen waste disposal	25,000,000.00	-	100.00	Business combinations not under common control
Huangshi Bioland	Huangshi, Hubei Province, PRC	Huangshi, Hubei Province, PRC	Kitchen waste disposal	24,274,980.00	-	70.00	Business combinations not under common control
Pingyu Beier Environmental Technology Co., Ltd.	Zhumadian, Henan Province, PRC	Zhumadian, Henan Province, PRC	Kitchen waste disposal	500,000.00	-	100.00	Business combinations not under common control
Handan Bioland	Handan, Hebei Province, PRC	Handan, Hebei Province, PRC	Kitchen waste disposal	50,000,000.00	-	90.00	Business combinations not under common control
Guilin Bioland	Guilin, Guangxi Zhuang Autonomous Region, PRC	Guilin, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	54,600,000.00	-	100.00	Business combinations not under common control
Xinyu Bioland	Xinyu, Jiangxi Province, PRC	Xinyu, Jiangxi Province, PRC	Kitchen waste disposal	23,940,000.00	-	100.00	Business combinations not under common control
Zhuji Bioland	Zhuji, Zhejiang Province, PRC	Zhuji, Zhejiang Province, PRC	Kitchen waste disposal	100,000,000.00	-	90.00	Business combinations not under common control

Notes to Financial Statements

For the six months ended 30 June 2023

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Composition of the Group: (continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)			Acquired through
					Direct	Indirect		
Fuzhou Bioland Environmental Technology Co., Ltd.	Fuzhou, Jiangxi Province, PRC	Fuzhou, Jiangxi Province, PRC	Kitchen waste disposal	24,000,000.00	-	100.00	Business combinations not under common control	
Nanjing Shenlu Environmental Technology Co., Ltd.	Nanjing, Jiangsu Province, PRC	Nanjing, Jiangsu Province, PRC	Environment and facility services	100,000,000.00	-	100.00	Business combinations not under common control	
Sichuan Lansheng	Zigong, Sichuan Province, PRC	Zigong, Sichuan Province, PRC	Kitchen waste disposal	45,039,000.00	-	84.57	Business combinations not under common control	
Shenzhen Shengao Lande Engineering Co., Ltd. (formerly known as "Jiangsu Bioland Construction Engineering Co., Ltd.")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environment and facility services	10,000,000.00	-	100.00	Business combinations not under common control	
Logistics Finance Company	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD1.00	-	100.00	Business combinations under common control	
Financial Leasing Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Financial leasing and commercial factoring	902,500,000.00	72.30	27.70	Business combinations under common control	
Shenzhen High Speed Engineering Development Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road construction	40,500,000.00	-	60.00	Business combinations not under common control	
New Energy Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Wind power	2,619,441,000.00	100.00	-	Incorporation	
Inner Mongolia Chenghuan Bioland	Hohhot, Inner Mongolia Autonomous Region, China	Hohhot, Inner Mongolia Autonomous Region, China	Environment and facility services	43,360,000.00	-	51.00	Incorporation	
Bioland Environmental Protection Technology	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental and ecological monitoring, agricultural science research	10,000,000.00	-	100.00	Incorporation	
Shenzhen Expressway Gao Le Health Care Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Health, elderly care and nursing services	30,000,000.00	-	100.00	Incorporation	
Shenzhen Expressway Construction Technology Development Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Architecture and Engineering	40,000,000.00	-	51.00	Incorporation	

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**1. Interests in subsidiaries (continued)****(1) Composition of the Group: (continued)**

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Guangdong New Energy	Liannan Yao Autonomous County, Guangdong Province, PRC	Liannan Yao Autonomous County, Guangdong Province, PRC	Investment holding	1,956,550,000.00	-	100.00	Incorporation
Qiantai Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Comprehensive utilization of resources	307,692,300.00	-	63.33	Business combinations not under common control
Shenzhen Longda Expressway Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	50,000,000.00	89.93	-	Business combinations under common control
Qianxin Company	Mulei County, Changji Prefecture, Xinjiang, PRC	Mulei County, Changji Prefecture, Xinjiang, PRC	Wind power	181,120,000.00	-	100.00	Business combinations not under common control
Qianzhi Company	Mulei County, Changji Prefecture, Xinjiang, PRC	Mulei County, Changji Prefecture, Xinjiang, PRC	Wind power	479,183,100.00	-	100.00	Business combinations not under common control
Qianhui Company	Mulei County, Changji Prefecture, Xinjiang, PRC	Mulei County, Changji Prefecture, Xinjiang, PRC	Wind power	264,376,900.00	-	100.00	Business combinations not under common control
Shenzhen Guangming Shenzhen Expressway Environment Technology Co., Ltd. ("Guangming Environment Technology")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Kitchen waste disposal	200,000,000.00	100.00	-	Incorporation
Shenzhen High Speed Asphalt Technology Development Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Asphalt materials	30,000,000.00	-	55.00	Incorporation
Beihai Zhonglan	Beihai, Guangxi Zhuang Autonomous Region, PRC	Beihai, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	16,390,000.00	-	90.00	Incorporation
Yongcheng Zhuneng	Yongcheng, Shangqiu, Henan Province, PRC	Yongcheng, Shangqiu, Henan Province, PRC	Wind power	102,450,000.00	-	100.00	Business combinations not under common control
Shenzhen Zhuneng New Energy Technology Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Investment holding	100,000.00	-	100.00	Incorporation
Shanghai Zhuneng	Shanghai, PRC	Shanghai, PRC	Investment holding	2,450,000.00	-	100.00	Business combinations not under common control

Notes to Financial Statements

For the six months ended 30 June 2023

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Composition of the Group: (continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)			Acquired through
					Direct	Indirect		
Ningxia Zhongwei	Zhongwei, Ningxia Hui Autonomous Region, PRC	Zhongwei, Ningxia Hui Autonomous Region, PRC	Wind power	175,920,236.88	-	100.00	Business combinations not under common control	
Harbin Nengchuang Fenglian New Energy Co., Ltd.	Harbin, Heilongjiang Province, PRC	Harbin, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation	
Chuzhou Bioland	Chuzhou, Anhui Province, PRC	Chuzhou, Anhui Province, PRC	Kitchen waste disposal	25,492,400.00	-	89.10	Incorporation	
Shenzhen Expressway Business Co., Ltd. ("Shenzhen Expressway Business")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Business services	8,000,000.00	100.00	-	Incorporation	
Shengao Lekang	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Health, elderly care and nursing services	15,000,000.00	-	80.00	Incorporation	
SIHICH	Shenzhen, Guangdong Province, PRC	British Virgin Islands	Investment holding	USD50,000.00	-	100.00	Business combinations under common control	
Bay Area Development	Hong Kong, PRC	Cayman Islands	Investment holding	HKD1,000,000,000.00	-	71.83	Business combinations under common control	
Wilberforce	Hong Kong, PRC	British Virgin Islands	Investment holding	USD1.00	-	100.00	Business combinations under common control	
Jiehao	Hong Kong, PRC	British Virgin Islands	Investment holding	USD1.00	-	100.00	Business combinations under common control	
Bay Area Management	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD1.00	-	100.00	Business combinations under common control	
Bay Area Service	Hong Kong, PRC	Hong Kong, PRC	Office service	HKD2.00	-	100.00	Business combinations under common control	
Bay Area Financing	Hong Kong, PRC	Hong Kong, PRC	Loan financing	HKD1.00	-	100.00	Business combinations under common control	
Hopewell Guangzhou Expressway	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD2.00	-	100.00	Business combinations under common control	
Guanjia	Hong Kong, PRC	British Virgin Islands	Investment holding	USD1.00	-	97.50	Business combinations under common control	
Hopewell China Development	Hong Kong, PRC	Hong Kong	Investment holding	HKD2.00	-	100.00	Business combinations under common control	
Shenzhen Bay Infrastructure	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Investment holding	4,498,000,000.00	-	100.00	Business combinations under common control	

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Composition of the Group: (continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Expressway Digital Technology	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Information technology service	30,000,000.00	51.00	-	Incorporation
Lisai Environmental Protection	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental technology service	17,441,900.00	-	70.00	Business combinations not under common control
Shaoyang Shengao Environmental Technology Co., Ltd.	Shaoyang, Hunan Province	Shaoyang, Hunan Province	Kitchen waste disposal	100,000,000.00	-	100.00	Incorporation
Guangdong Qizhen Toll Road Construction Co., Ltd.	Foshan, Guangdong Province, PRC	Foshan, Guangdong Province, PRC	Toll road construction	100,000,000.00	-	100.00	Acquisition
Guangzhou Jingmao Architecture and Engineering Co., Ltd.	Guangzhou, Guangdong Province, PRC	Guangzhou, Guangdong Province, PRC	Architecture and Engineering	10,000,000.00	-	100.00	Acquisition
Guizhou Ziyun (Note 2)	Anshun, Guizhou Province, PRC	Anshun, Guizhou Province, PRC	Production and supply of electricity and heat	50,000,000.00	-	100.00	Incorporation
Xingren Yuansheng (Note 2)	Xingren, Guizhou Province, PRC	Xingren, Guizhou Province, PRC	Production and supply of electricity and heat	2,000,000.00	-	100.00	Incorporation
Duyun Jinxin (Note 2)	Duyun, Guizhou Province, PRC	Duyun, Guizhou Province, PRC	Production and supply of electricity and heat	1,000,000.00	-	100.00	Incorporation
Shenzhen Bay City Investment (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Real estate	1,300,000,000.00	-	100.00	Incorporation
Jinshen New Energy (Note 2)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Production and supply of electricity and heat	1,000,000,000.00	-	65.00	Incorporation
Expressway Shengneng (Note 2)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Production and supply of electricity and heat	150,000,000.00	-	100.00	Incorporation

Note 1: The Board of Directors of Qinglong Company is composed of 7 directors, and the Group is entitled to nominate 5 directors and the voting on business matters at the meeting of the Board of Directors is effective only after it is approved by more than half of all directors. The Group substantially controls Qinglong Company.

Note 2: Newly established subsidiary in the current period.

Notes to Financial Statements

For the six months ended 30 June 2023

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(2) Significant non-wholly-owned subsidiaries

30 June 2023 (Unaudited)

Name of subsidiary	RMB			
	Equity interest held by minority shareholders	Profit or loss attributable to minority shareholders	Dividend declared to minority shareholders	Balance of minority interests at the end of the period
Qinglian Company	23.63%	12,340,701.68	–	736,512,048.12
Shenchang Company	49.00%	32,667,270.53	(14,700,000.00)	182,141,448.88
Qinglong Company	50.00%	14,597,879.91	–	536,605,110.55
Bioland Company	7.71%	(5,438,852.52)	–	182,431,122.62
Bay Area Development	28.17%	(16,147,509.48)	(34,313,838.69)	3,382,331,043.57
Total		38,019,490.12	(49,013,838.69)	5,020,020,773.74

30 June 2022 (Unaudited)

Name of subsidiary	RMB			
	Equity interest held by minority shareholders	Profit or loss attributable to minority shareholders	Dividend declared to minority shareholders	Balance of minority interests at the end of the period
Qinglian Company	23.63%	12,898,670.70	–	766,250,526.82
Shenchang Company	49.00%	29,660,482.53	(29,400,000.00)	168,255,572.80
Qinglong Company	50.00%	11,009,703.27	(43,500,000.00)	587,405,793.22
Bioland Company	32.86%	(17,574,716.69)	–	414,508,752.64
Bay Area Development	28.17%	(13,441,653.33)	(93,677,617.21)	2,734,395,164.46
Total		22,552,486.48	(166,577,617.21)	4,670,815,809.94

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**1. Interests in subsidiaries (continued)****(3) Major financial information of significant non-wholly-owned subsidiaries**

RMB

Name of subsidiary	30 June 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	285,784,293.25	5,587,030,567.34	5,872,814,860.59	360,206,639.92	2,439,066,192.71	2,799,272,832.63
Shenchang Company	90,568,426.26	459,319,396.16	549,887,822.42	178,312,104.23	35,414.38	178,347,518.61
Qinglong Company	451,342,937.10	1,223,095,899.73	1,674,438,836.83	166,097,296.17	435,131,319.54	601,228,615.71
Bay Area Development	1,479,312,994.09	15,269,118,138.57	16,748,431,132.66	2,521,750,858.18	2,505,297,317.88	5,027,048,176.06
Bioland Company	673,456,353.50	3,544,606,333.89	4,218,062,687.39	910,934,624.27	835,335,231.45	1,746,269,855.72

RMB

Name of subsidiary	31 December 2022 (Audited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	316,214,333.80	5,767,140,106.37	6,083,354,440.17	404,412,366.19	2,866,815,323.53	3,271,227,689.72
Shenchang Company	55,212,732.32	486,990,462.33	542,203,194.65	207,328,614.09	2.24	207,328,616.33
Qinglong Company	321,554,980.06	1,435,773,582.00	1,757,328,562.06	177,340,250.44	516,958,274.37	694,298,524.81
Bay Area Development	1,474,026,116.23	15,193,330,089.71	16,667,356,205.94	1,875,443,439.44	2,958,816,361.24	4,834,259,800.68
Bioland Company	568,720,275.60	3,627,375,092.33	4,196,095,367.93	890,326,839.31	746,780,793.08	1,637,107,632.39

Notes to Financial Statements

For the six months ended 30 June 2023

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3) Major financial information of significant non-wholly-owned subsidiaries (continued)

RMB

Name of subsidiary	For the six months ended 30 June 2023 (Unaudited)			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	347,687,074.62	52,224,721.45	52,224,721.45	253,887,161.16
Shenchang Company	129,115,088.55	66,667,899.04	66,667,899.04	87,277,588.99
Qinglong Company	307,990,385.15	29,195,759.82	29,195,759.82	199,559,785.91
Bay Area Development	451,824,493.84	72,401,969.41	(5,492,311.39)	301,714,247.84
Bioland Company	239,302,310.80	(87,253,888.27)	(87,253,888.27)	29,841,971.26

RMB

Name of subsidiary	For the six months ended 30 June 2022 (Unaudited)			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	312,887,609.09	54,585,995.31	54,585,995.31	211,116,192.84
Shenchang Company	123,451,601.66	60,531,596.99	60,531,596.99	109,133,953.94
Qinglong Company	273,444,613.28	22,019,406.53	22,019,406.53	177,427,146.31
Bay Area Development	–	41,222,557.28	(46,766,104.61)	(23,136,030.20)
Bioland Company	335,377,055.89	(54,925,759.41)	(54,925,759.41)	38,285,657.11

Note: Except for the significant non-wholly-owned subsidiaries listed in Note VII, 1 (2), since the amount of revenue realized by other non-wholly-owned subsidiaries in the current period does not exceed 5% of the total revenue of the Group in the current period, the total profit realized in the current period does not exceed 5% of the total profit of the Group in the current period, and none of the total assets at the end of the period is higher than 5% of the total assets of the Group at the end of the period, the Company's Board of Directors believes that except for the significant non-wholly-owned subsidiaries listed in Note VII, 1(2), other non-wholly-owned subsidiaries are insignificant non-wholly-owned subsidiaries.

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 30 June 2023, there was no restriction which prohibited the usage of assets or the settlement of liabilities of the Group.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**2. Interests in associates and joint ventures****(1) Significant associates and joint ventures**

Name	Place of main business	Place of registration	Nature of business	Equity interest (%)		Method of accounting treatment
				Direct	Indirect	
Derun Environment	Chongqing, China	Chongqing, China	Environmental governance and resource recovery	-	20.00	Equity method
Guangzhou-Shenzhen-Zhuhai Expressway	Guangdong Province	Guangzhou, Guangdong Province	Toll road operation	-	45.00	Equity method
Guangzhu West Line Expressway	Guangdong Province	Guangzhou, Guangdong Province	Toll road operation	-	50.00	Equity method

(2) Major financial information of significant associates and joint ventures

RMB

Item	30 June 2023/For the six months ended 30 June 2023 (Unaudited)			31 December 2022/For the year ended 31 December 2022 (Audited)		
	Derun Environment (Note 1)	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhu West Line Expressway	Derun Environment (Note 1)	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhu West Line Expressway
Current assets	14,245,593,359.38	1,334,844,137.17	516,842,903.68	13,204,827,688.03	1,354,142,769.27	341,236,098.44
Including: Cash and cash equivalents	6,169,861,171.52	1,131,332,375.61	450,823,524.22	5,475,233,286.95	819,822,357.74	315,693,971.48
Non-current assets	49,804,650,178.86	13,701,191,278.40	11,168,796,362.19	48,877,057,882.57	15,071,995,678.91	11,826,991,388.23
Total assets	64,050,243,538.24	15,036,035,415.57	11,685,639,265.87	62,081,885,570.60	16,426,138,448.18	12,168,227,486.67
Current liabilities	12,829,765,731.80	1,033,699,702.93	935,027,495.62	11,845,158,841.55	1,805,379,239.48	1,085,049,761.81
Non-current liabilities	17,919,221,799.89	2,779,069,296.71	3,569,822,172.33	17,386,387,854.36	3,261,913,206.37	4,024,287,034.12
Total liabilities	30,748,987,531.69	3,812,768,999.64	4,504,849,667.95	29,231,546,695.91	5,067,292,445.85	5,109,336,795.93
Minority interests	14,752,996,474.34	-	-	14,859,102,036.79	-	-
Equity attributable to shareholders of the parent company	18,548,259,532.21	11,223,266,415.93	7,180,789,597.92	17,991,236,837.90	11,358,846,002.33	7,058,890,690.74
Share of net assets calculated according to shareholding ratio	3,709,651,906.44	5,050,469,887.17	3,590,394,798.96	3,598,247,367.58	5,111,480,701.05	3,529,445,345.37
Adjustment matters	1,462,953,999.22	-	-	1,462,953,999.22	(64,903,847.33)	-
- Goodwill	1,462,953,999.22	-	-	1,462,953,999.22	-	-
- Unrealized profits from internal transactions	-	-	-	-	(65,891,347.31)	-
- Others	-	-	-	-	987,499.98	-

Notes to Financial Statements

For the six months ended 30 June 2023

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates and joint ventures (continued)

(2) Major financial information of significant associates and joint ventures (continued)

RMB

Item	30 June 2023/For the six months ended 30 June 2023 (Unaudited)			31 December 2022/For the year ended 31 December 2022 (Audited)		
	Derun Environment (Note 1)	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhou West Line Expressway	Derun Environment (Note 1)	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhou West Line Expressway
Carrying amount of equity investment in associates and joint ventures	5,172,605,905.66	5,050,469,887.17	3,590,394,798.96	5,061,201,366.80	5,046,576,853.72	3,529,445,345.37
Fair value of equity investment in associates and joint ventures with publicly quoted prices	N/A	N/A	N/A	N/A	N/A	N/A
Operating income	6,705,800,736.65	1,405,760,333.27	645,834,476.96	14,028,621,278.55	2,279,607,241.51	1,073,960,280.73
Financial expenses	233,888,057.79	132,418,067.54	69,812,254.38	454,162,450.82	87,438,124.73	157,029,056.32
Income tax expense	297,017,188.23	179,268,886.86	61,374,066.93	529,499,615.04	255,591,767.09	67,670,037.44
Net profit	1,386,673,880.84	525,097,866.68	177,245,173.20	3,142,190,837.53	665,191,037.57	349,352,299.59
Net profit from discontinued operations	-	-	-	-	-	-
Other comprehensive income	25,000,000.00	-	-	(35,313,595.90)	-	-
Total comprehensive income	1,411,673,880.84	525,097,866.68	177,245,173.20	3,106,877,241.63	665,191,037.57	349,352,299.59
Dividends received from associates and joint ventures in the current period	-	-	-	148,000,000.00	631,679,582.02	173,641,362.52

Note 1: The Group shares the net profit of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio. After deducting the current-period premium amortization of RMB19,553,461.14, the Group recognized the investment income from Derun Environment of RMB111,404,538.86. The Group shares, based on the 20% shareholding ratio, the other comprehensive income net of tax of Derun Environment attributable to shareholders of the parent company amounting RMB5,000,000.00, and recognized the change in capital reserve of Derun Environment amounting RMB (5,000,000.00). Please refer to Note V, 13.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**2. Interests in associates and joint ventures (continued)****(3) Major financial information of insignificant associates and joint ventures**

RMB

Item	30 June 2023/ For the six months ended 30 June 2023 (Unaudited)	31 December 2022/ For the year ended 31 December 2022 (Audited)
Associates and Joint Venture:		
Total carrying amount of investments	4,125,332,328.43	4,111,846,382.48
The total of the following items calculated according to the shareholding ratio		
– Net profit	165,120,563.49	293,601,117.49
– Other comprehensive income	1,519,370.70	(16,202,400.00)
– Total comprehensive income	166,639,934.19	277,398,717.49

As at 30 June 2023, there was no substantial restriction on transferring funds between the Group and associates and joint ventures.

Notes to Financial Statements

For the six months ended 30 June 2023

VIII. FINANCIAL INSTRUMENTS AND RISKS

The Group's major financial instruments include cash at banks and on hand, transactional financial assets, bills receivable, accounts receivable, other receivables, non-current assets due within one year, long-term receivables, other non-current financial assets, short-term borrowings, transactional financial liabilities, bills payable, accounts payable, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payable, lease liabilities, long-term payables, etc. At the end of the period, the Group has the following financial instruments. Please ref to Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure the risks are monitored at a certain level.

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial assets		
Measured at fair value through profit or loss		
Transactional financial assets	210,804,141.40	1,112,243,771.54
Other non-current financial assets	864,893,649.91	763,264,630.44
Measured at amortized cost		
Cash at banks and on hand	4,172,326,115.80	3,635,862,158.72
Bills receivable	700,000.00	3,500,000.00
Accounts receivable	943,994,159.06	1,052,263,013.07
Other receivables	748,424,760.64	1,121,628,992.41
Non-current assets due within one year	243,955,649.37	196,704,222.31
Long-term receivables	2,189,300,070.75	2,152,166,502.48

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial liabilities		
Measured at fair value through profit or loss		
Transactional financial liabilities	87,724,368.64	133,009,243.01
Measured at amortized cost		
Short-term borrowings	9,915,991,634.75	9,396,229,275.32
Bills payable	193,844,462.99	228,669,880.66
Accounts payable	2,430,636,282.21	2,812,967,920.77
Other payables	1,640,216,265.79	1,371,768,690.38
Non-current liabilities due within one year	6,213,321,592.15	6,380,323,337.26
Other current liabilities	2,013,886,550.57	2,016,515,923.01
Long-term borrowings	9,336,123,047.34	9,573,248,109.29
Bonds payable	5,651,951,426.96	5,769,517,430.62
Lease liabilities	60,901,417.84	47,738,699.35
Long-term payables	1,041,764,629.53	1,148,281,363.36

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

The Group uses sensitivity analysis techniques to analyze the possible impact of reasonable and probable changes in risk variables on profit or loss for the period or shareholders' equity. As changes in any risk variable rarely occur in isolation and the correlation that exists between variables will have a significant effect on the ultimate amount of the impact of a change in a particular risk variable, the following is performed under the assumption that changes in each variable are independent.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with HKD and USD. Except for the purchases and sales of several subsidiaries of the Group in HKD and USD, and the bank balances in EUR, JPY, FRF, and ESP of the Company, all the other principal operating activities of the Group are denominated and settled in RMB. As at 30 June 2023, the Group's assets and liabilities are all in functional currency, except for the balances of assets and liabilities set out below, which are in currencies other than functional currency.

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash at banks and on hand	24,372,639.90	47,010,028.71
Other receivables	–	214,216,939.77
Other payables	378,809,290.61	536,181,490.94
Non-current liabilities due within one year	2,202,268,829.46	199,082,031.53
Bonds payable	2,157,273,395.77	2,094,738,029.92

Notes to Financial Statements

For the six months ended 30 June 2023

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.1 Currency risk (continued)

Sensitivity analysis on currency risk

The assumptions for the sensitivity analysis on currency risk: all net investment hedges and cash flow hedges of overseas operations are highly effective.

Based on the above assumptions, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Items	Changes in exchange rate	For the six months ended 30 June 2023 (Unaudited)		For the six months ended 30 June 2022 (Unaudited)	
		Effect on profit	Effect on equity	Effect on profit	Effect on equity
USD	10% increase against RMB	(325,833,424.82)	(325,833,424.82)	(364,641,488.27)	(364,641,488.27)
USD	10% decrease against RMB	325,833,424.82	325,833,424.82	364,641,488.27	364,641,488.27
HKD	10% increase against RMB	(27,714,990.88)	(27,714,990.88)	(376,239,341.60)	(376,239,341.60)
HKD	10% decrease against RMB	27,714,990.88	27,714,990.88	376,239,341.60	376,239,341.60

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.2 Interest rate risk – risk of changes in cash flows

The Group's risk of changes in the cash flow of financial instruments caused by changes in interest rates is mainly related to the Group's long-term liabilities with floating interest rates. The Group continues to pay close attention to the impact of interest rate changes on the Group's interest rate risk. The Group's policy is to maintain floating interest rates for these borrowings. Currently, there are no arrangements such as interest rate swaps.

Sensitivity analysis on interest rate risk

Where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

		For the six months ended 30 June 2023 (Unaudited)		For the six months ended 30 June 2022 (Unaudited)	
Item	Interest rate changes	Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
RMB	100 basis points higher	(135,908,703.34)	(135,908,703.34)	(132,187,200.65)	(132,187,200.65)
RMB	100 basis points lower	135,908,703.34	135,908,703.34	132,187,200.65	132,187,200.65

1.2 Credit risk

As at 30 June 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 is arising from cash at banks and on hand, bills receivable, accounts receivable, other receivables, long-term receivables, etc. For financial instruments measured at fair value, the carrying amount reflects their risk exposure, but it is not the maximum risk exposure. The maximum risk exposure will change with changes in the fair value in the future.

In order to reduce credit risk, the Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit checking. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

The Group continuously conducts credit assessment on the financial status of customers, and the impairment loss of bad debts is maintained within the amount expected by the management.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

Notes to Financial Statements

For the six months ended 30 June 2023

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (continued)

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the use of bank loans and ensures compliance with loan agreements.

As at 30 June 2023, the Group has unused bank credit lines totaling RMB32.66 billion, which are not reserved by the banks and are therefore able to satisfy the Group's debt and capital commitments. The Group can solve the lack of working capital through reasonable financing arrangements.

The analysis of the financial liabilities held by the Group based on the maturity period of the undiscounted remaining contractual obligations is as follows:

RMB

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term borrowings	9,966,334,247.35	-	-	-	9,966,334,247.35
Bills payable	193,844,462.99	-	-	-	193,844,462.99
Accounts payable	1,111,469,147.80	1,319,167,134.41	-	-	2,430,636,282.21
Other payables	885,471,405.46	754,744,860.33	-	-	1,640,216,265.79
Non-current liabilities due within one year	6,294,557,939.42	-	-	-	6,294,557,939.42
Other current liabilities	2,027,306,301.43	-	-	-	2,027,306,301.43
Long-term borrowings	349,104,673.39	1,407,425,099.66	8,092,386,264.19	1,233,040,687.05	11,081,956,724.29
Bonds payable	152,657,500.00	152,657,500.00	4,488,515,000.00	1,547,700,000.00	6,341,530,000.00
Lease liabilities	24,237,251.55	13,976,954.39	22,645,306.93	17,682,432.49	78,541,945.36
Long-term payables	45,994,549.15	978,904,695.77	61,304,656.57	20,739,813.09	1,106,943,714.58
Transactional financial liabilities	87,724,368.64	-	-	-	87,724,368.64
Total	21,138,701,847.18	4,626,876,244.56	12,664,851,227.69	2,819,162,932.63	41,249,592,252.06

Given that the Group has stable and abundant operating cash flow and sufficient credit lines, and has made appropriate financing arrangements to meet debt repayment and capital expenditures, the management of the Company believes that the Group does not have significant liquidity risk.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

2. Transfer of financial assets

2.1 Transferred financial assets that are not derecognized in their entirety

As part of its normal business, the Group entered into a bills receivable discounting arrangement (the “Arrangement”) and transferred certain bills receivable to financial institutions. Under the Arrangement, the Group may be required to reimburse the bank for loss of principal and interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the discounted bills receivable, including the sale, transfer or pledge of the accounts receivable to any other third parties. The carrying amount of the commercial acceptance bills transferred under the Arrangement that have not been settled as at 30 June 2023 was RMB0 (31 December 2022: RMB0). The carrying amount of the bank acceptance bills transferred under the Arrangement that have not been settled was RMB0 (31 December 2022: RMB0). The carrying amount of the assets that the Group continued to recognize as at 30 June 2023 was RMB0 (31 December 2022: RMB0) and that of the associated liabilities as at 30 June 2023 was RMB0 (31 December 2022: RMB0), which were charged to short-term borrowings, respectively.

As at 30 June 2023, the commercial acceptance bills that have been endorsed by the Group to suppliers for settlement of accounts payable with a carrying amount of RMB0 (31 December 2022: RMB0) have maturity dates ranging from 1 to 12 months; the bank acceptance bills that have been endorsed by the Group to suppliers for settlement of accounts payable with a carrying amount of RMB0 (31 December 2022: RMB1,700,000.00) have maturity dates ranging from 1 to 12 months. The Group believes that almost all risks and rewards related to bills receivable at the time of endorsement have not yet been transferred and do not meet the conditions for derecognition of financial assets. Therefore, the relevant bills receivable have not been derecognized as a whole on the date of endorsement.

2.2 Transferred financial assets that have been derecognized as a whole but continue to be involved

As at 30 June 2023, the original carrying amount of bank acceptance bills that have been endorsed by the Group to suppliers for settlement of accounts payable is RMB0 (31 December 2022: RMB0). According to the relevant provisions of the Bills Act, if the accepting bank refuses to pay, its holders have the right to recourse from the Group (the “Continuing Involvement”). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore derecognized the carrying amount of bills receivable where accounts payable have been settled. The maximum losses and undiscounted cash flows arising from continuing involvement are equal to their carrying amounts. The Group believes that continuing involvement in fair value is not significant.

For the six months ended 30 June 2023, the Group has not recognized any gain or loss on the date of transfer of the bills receivable. No gains or expenses were recognized as a result of the continuing involvement in derecognized financial assets, both during the period or cumulatively.

Notes to Financial Statements

For the six months ended 30 June 2023

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital for the six months ended 30 June 2023 and 2022.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

	RMB	
Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Total assets	68,161,615,739.87	69,204,698,015.50
Total liabilities	41,425,911,153.48	41,840,560,313.98
Debt-to-asset ratio	60.78%	60.46%

IX. FAIR VALUE DISCLOSURE

1. Closing balance of fair value of financial assets and liabilities measured at fair value

30 June 2023

RMB

	Closing balance of fair value			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Fair value measurement on a recurring basis				
Transactional financial assets	–	–	210,804,141.40	210,804,141.40
Other non-current financial assets	316,605,605.25	–	548,288,044.66	864,893,649.91
Transactional financial liabilities	–	–	87,724,368.64	87,724,368.64
Total	316,605,605.25	–	671,367,817.42	987,973,422.67

The fair value of level 3 financial instrument is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value at 30 June 2023.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 30 June 2023, the management of the Company considers that the carrying amounts of financial assets and financial liabilities in the Group's financial statements approximate their fair values.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. General information of the parent company:

HKD

Name of parent company	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	2,000,000,000.00	51.561%	51.561%

The controlling shareholder of the Company is Shenzhen International, and the ultimate controlling party of the Company is Shenzhen SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII,1.

Notes to Financial Statements

For the six months ended 30 June 2023

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

3. Information about associates and joint ventures

The situation of the associates and joint ventures that have related party transactions with the Group in the current period or have related party transactions with the Group in the previous period is as follows:

Name	Relationship with the Company
Yunji Smart	Associate or joint venture
Huayu Company	Associate or joint venture
Huai'an Zhongheng	Associate or joint venture
Yangmao Company	Associate or joint venture
United Land Company	Associate or joint venture
Xintang Joint Venture	Associate or joint venture
Bank of Guizhou	Associate or joint venture
Guangzhu West Line Expressway	Associate or joint venture
Guangzhou-Shenzhen-Zhuhai Expressway	Associate or joint venture

4. Information about other related parties

Name	Relationship with the Company
Shenzhen Investment Holdings International	Wholly-owned subsidiary of the ultimate controlling party
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Co., Ltd. ("Shenzhen International Hong Kong")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Modern Logistics Petty Loan Co. Ltd ("Shenzhen International Modern Logistics Petty Loan")	Wholly-owned subsidiary of the controlling shareholder
Henan Yudong Shenan Port Co., Ltd. ("Henan Yudong")	Holding subsidiary of the controlling shareholder
Xin Tong Chan Company	Participating shareholder of the Company
United Electronic	Participating company of the Company
Water Planning & Design Institute	Participating company of the Company
Nanjing Anvis Transmission Technology Co., Ltd. ("Nanjing Anvis")	Other related party

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Related transactions in the purchase and sale of goods, rendering and receipt of labor services

Procurement of goods/receipt of labor services

RMB

Name of related party	Content of transaction	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
United Electronic (Note 1)	Receiving network tolling settlement services	13,464,599.55	11,161,107.10
Yunji Smart (Note 2)	Receiving engineering survey, design and consulting services	15,005,440.65	6,993,742.39
Water Planning & Design Institute (Note 3)	Receiving technical services regarding flood control for projects and water-related impact	982,500.00	1,071,000.00
Guangzhou-Shenzhen-Zhuhai Expressway (Note 4)	Receiving corporate management services	8,763,860.01	–
Guangzhu West Line Expressway (Note 4)	Receiving corporate management services	628,875.94	–
Xintang Joint Venture (Note 4)	Receiving corporate management services	931,603.78	–
Others (Note 5)	Receiving power supply services and others	166,743.16	33,239.00
Total		39,943,623.09	19,259,088.49

Note 1: The Guangdong Provincial People's Government has designated United Electronic to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. The Company and its related subsidiaries have entered into a series of agreements with United Electronic and entrusted it to provide toll settlement services for Coastal Expressway, Meiguan Expressway, Airport-Heao Expressway, Qinglian Expressway, Outer Ring Expressway, Longda Expressway and Shuiguan Expressway invested by the Group. The service periods end on the expiry dates of toll collection periods of each toll road. The related service charges are determined by the commodity price bureau of the Guangdong Province.

Note 2: The Group has entered into service contracts with Yunji Smart to receive engineering survey and design, consulting, highway inspection and special maintenance services for Outer Ring Expressway project, Coastal Expressway Phase II project and other roads of the Group.

Note 3: The Company has entered into a service contract with the Water Planning & Design Institute to receive technical consulting services regarding flood control impact assessment and safety assessment on water-related projects of Airport-Heao Expressway reconstruction and expansion project.

Note 4: Shenzhen Bay Infrastructure, the subsidiary of the Company, received the corporate executive dispatch services from Guangzhou-Shenzhen-Zhuhai Expressway, Xintang Joint Venture and Guangzhu West Line Expressway.

Note 5: Qinglong Company, a subsidiary of the Company, received the supply of water and electricity and power supply services for its advertising boards from Xin Tong Chan Company and Huayu Company. The respective transaction amounts were not presented separately as they were not material.

Notes to Financial Statements

For the six months ended 30 June 2023

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(1) Related transactions in the purchase and sale of goods, rendering and receipt of labor services (continued)

Sale of goods/rendering of labor services

RMB

Name of related party	Content of transaction	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Huai'an Zhongheng (Note 1)	Rendering of operation and maintenance services	–	162,050.00
Others (Note 2)	Rendering of commission sale of water and electricity for office and others	1,225,561.42	313,121.51
Total		1,225,561.42	475,171.51

Note 1: Nanjing Wind Power, a subsidiary of the Company, entered into an entrusted operation contract with Huai'an Zhongheng, under which it provides entrusted management services for Huai'an Zhongheng's wind power plants.

Note 2: The Group provides water and electricity services and other services to Xin Tong Chan Company, Huayu Company, United Electronic and Yunji Smart. The water and electricity service is calculated based on the price paid to the water supply agency and power supply agency. The respective transaction amounts were not presented separately as they were not material.

(2) Related leases

(a) The Group as a lessor:

RMB

Lessee	Type of assets leased	Lease income recognized in the current period	Lease income recognized in the prior period
Yunji Smart	Office building	–	322,095.25
Henan Yudong	Equipment	1,018,989.39	–
Total		1,018,989.39	322,095.25

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Related party transactions (continued)****(2) Related leases (continued)***(b) The Group as a lessee:*

			RMB
Lessor	Type of assets leased	Lease costs recognized in the current period	Lease costs recognized in the prior period
SC Logistics Company and Huayu Company	Billboard land use rights	422,790.05	406,736.52

The respective transaction amounts were not presented separately as they were not material.

(3) Remuneration of key management personnel

		RMB
Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Remuneration of key management personnel	3,755,277.02	4,128,224.52

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 19 (corresponding period in 2022: 20) members of key management personnel during the period.

Notes to Financial Statements

For the six months ended 30 June 2023

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(4) Borrowings from/to related parties

Borrowings from related parties:

RMB					
Related party	Amount of borrowings	30 June 2023 (Unaudited)	Interest rate	Inception date	Due date
United Land Company (Note 1)	944,646,715.85	944,646,715.85	-	29 December 2021	-
Shenzhen Investment Holdings International (Note 2)	2,167,740,000.00	2,167,740,000.00	2.85%	27 September 2018	26 September 2023
Total	3,112,386,715.85	3,112,386,715.85			

Note 1: As at 30 June 2023, the balance of the Company's interest-free borrowing from United Land Company was RMB944,646,715.85.

Note 2: It is a borrowing from Shenzhen Investment Holdings International by SIHICH, a subsidiary of the Company, with a term from 27 September 2018 to 26 September 2023 and an interest rate of 2.85% per annum from 1 January 2021. As at 30 June 2023, the principal of the borrowing was USD0.3 billion (equivalent to RMB2,167,740,000.00) and the Company recognized an interest expense of RMB16,249,141.38 accordingly.

6. Receivables due from and payables due to related parties

(1) Receivable items

RMB					
Item	Related parties	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
		Gross carrying amount	Bad debt provision	Gross carrying amount	Bad debt provision
Accounts receivable	Huai'an Zhongheng	1,761,446.00	-	3,810,276.80	-
Accounts receivable	Huayu Company	73,838.26	-	129,196.40	-
Dividends receivable (Note V, 6.2)	Guangzhou-Shenzhen-Zhuhai Expressway	-	-	181,376,782.72	-
Dividends receivable (Note V, 6.2)	Bank of Guizhou	30,276,790.61	-	-	-
Prepayments	Yunji Smart	26,678.77	-	-	-
Prepayments	United Electronic	37,849.03	-	39,442.03	-
Prepayments	SC Logistics Company	-	-	24,127.20	-
Prepayments	Nanjing AVIS	183,671.62	-	183,671.82	-
Other receivables (Note V, 6.3)	Xintang Joint Venture	425,000.00	-	210,385,000.00	-
Other receivables (Note V, 6.3)	Huai'an Zhongheng	88,331,191.80	-	88,331,191.80	-
Other receivables (Note V, 6.3)	Yunji Smart	84,050.00	-	84,050.00	-
Other receivables (Note V, 6.3)	Huayu Company	20,000.00	-	20,000.00	-
Other receivables (Note V, 6.3)	United Electronic	148,883.51	-	77,078.88	-
Long-term prepayments	United Land Company	353,672,990.00	-	353,672,990.00	-
Long-term receivables	Yudong, Henan	64,988,261.90	-	-	-
Other non-current assets	United Land Company	342,599,500.00	-	342,599,500.00	-

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from and payables due to related parties (continued)****(2) Payable items**

RMB

Item	Related parties	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Accounts payable	Yunji Smart	16,205,137.95	19,462,226.60
Accounts payable	United Electronic	344,110.14	243,694.94
Accounts payable	Huayu Company	24,000.00	12,000.00
Accounts payable	SC Logistics Company	6,819.41	11,500.00
Other payables (Note V, 31.3(1))	Yunji Smart	26,998,861.35	22,773,351.94
Other payables (Note V, 31.3(1))	United Electronic	3,819,973.42	1,612,986.70
Other payables (Note V, 31.3(1))	Shenzhen International Hong Kong	255,008.21	252,182.14
Other payables (Note V, 31.3(1))	Xin Tong Chan Company	5,000.00	5,000.00
Other payables (Note V, 31.3(1))	Shenzhen International Petty Loan	2,196.12	2,196.12
Other payables (Note V, 31.3(1))	Huayu Company	12,400,000.00	7,200,000.00
Other payables (Note V, 31.3(1))	Yangmao Company	–	30,000,000.00
Long-term payables (Note V, 37.(1))	United Land Company	944,646,715.85	944,646,715.85
Long-term payables (Note V, 37.(1))	Shenzhen Investment Holdings International	2,167,740,000.00	2,089,380,000.00
Long-term payables due within one year	Shenzhen Investment Holdings International	16,249,141.38	15,661,763.41

Amounts due from/to related parties above (excluding borrowings from related parties) are non-interest bearing, unsecured and have no fixed repayment terms.

7. Commitments to related parties

The following table presents the commitment related to related parties that had been contracted but not yet recognized on the balance sheet:

(1) Receiving service

RMB

Related party	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Yunji Smart	7,359,002.59	8,879,727.94

Notes to Financial Statements

For the six months ended 30 June 2023

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

In addition to the related party commitments disclosed in Note X, 7, the other significant commitments of the Group are as follows:

(1) Capital commitments

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Capital commitments that have been entered into but have not been recognized in the financial statements:		
Equity acquisition	6,475,000.00	–
Commitment for acquisition and construction of long-term assets	–	–
– Expressway construction projects	2,258,927,530.05	2,630,821,496.96
– Kitchen waste disposal projects	907,496,106.06	1,218,615,510.82
Total	3,172,898,636.11	3,849,437,007.78

In May 2018, Nanjing Wind Power, a subsidiary of the Group, entered into a *Cooperation Agreement on 30MW Wind Power Project in Zhangshu Gezao Mountain* with Jiangxi Gaochuan New Energy Co., Ltd. (“Jiangxi Gaochuan”) and Nanjing Gaochuan Electromechanical Automatic Control Equipment Co., Ltd., which stipulated that after the “Yichun Zhangshu Gezao Mountain Wind Farm of Gaochuan New Energy” project of Zhangshu Gaochuan New Energy Co., Ltd (“Zhangshu Gaochuan”), a subsidiary of Jiangxi Gaochuan, is completed, Nanjing Wind Power will seek a third party to acquire Zhangshu Gaochuan. In case no third party is willing to acquire Zhangshu Gaochuan, Nanjing Wind Power will acquire it instead. The budget estimate of this project is approximately RMB250 million.

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Significant contingencies at the balance sheet date

- (a) As at 30 June 2023, the Group's performance guarantee and guarantee of certain projects are in effect, with the cumulative amount of guarantee amounting approximately RMB710 million.
- (b) As at 30 June 2023, the Group provided a periodic joint and several liability guarantee amounting RMB449 million to the bank for house mortgage loans granted by the bank to the Group's property buyers. Under the terms of guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments, and the Group can then receive legal ownership of the property. The Group's guarantee period commences on the date on which the relevant mortgage loan is granted by the bank and ends on the date on which the buyer obtains the title deeds of the individual properties. The management believes that if the payment is in arrears, the net realizable value of the property is sufficient to cover the outstanding mortgage loans together with any accrued interest and penalties, and therefore no provision is made for these guarantees.
- (c) On 4 March 2020, Xinqing Environmental Technology (Lianyungang) Co., Ltd. ("Xinqing Company") entered into two blade procurement contracts with Nanjing Wind Power at a total amount of RMB641 million. After the contract was concluded, Nanjing Wind Power placed three purchase orders to Xinqing Company, products have been produced for two of them at a price of RMB54.1 million, and Nanjing Wind Power made an advance payment of RMB48.94 million. In June 2022, Xinqing Company filed a lawsuit to the court for reason that Nanjing Wind Power refused to pick up the goods and did not pay the remaining payment, which constituted a breach of contract, and requested that: (1) the two blade procurement contracts involved in the case shall be terminated; and (2) Nanjing Wind Power shall pay the remaining payment for goods of RMB5.16 million, the demurrage fee of RMB17.72 million, and the loss arising from the breach of contract of RMB127.86 million to Xinqing Company and shall bear the litigation costs as well. Nanjing Wind Power then filed a counterclaim requesting that (1) the two contracts involved in the case and the two purchase orders that have not been completed under the contract shall be terminated; (2) Xinqing Company shall return the payment for goods of RMB48.94 million, bear the liquidated damages for late delivery of RMB1.41 million, the increased cost for separate purchase of RMB735,000 the loss for late delivery of RMB703,000 and the inspection cost for stock blades of RMB637,600; (3) Xinqing Company shall return 3 sets of blade moulds; (4) Xinqing Company shall issue the warranty letter for LZ64.20 blades which have been picked up; and (5) Xinqing Company shall bear all litigation costs for the case. As at 30 June 2023, the case is in the first-instance stage, and the Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.

Notes to Financial Statements

For the six months ended 30 June 2023

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (continued)

(1) Significant contingencies at the balance sheet date (continued)

- (d) On 28 October 2016, Nantong No. 4 Construction Group Co., LTD. (“Nantong No. 4 Construction”) and Taizhou Bioland entered into the Construction Contract of Taizhou Kitchen Waste Disposal Project, which stipulated that Nantong No. 4 Construction shall be responsible for the civil construction, water and electricity installation, and the purchase and installation of mechanical and electrical equipment. The contract price was tentatively set at RMB185,568,577.68. On 30 December 2017, Nantong No.4 Construction completed the works within the contract scope as well as the additional works outside the scope of the contract. On 12 October 2020, Nantong No.4 Construction filed a lawsuit with the People’s Court of Hailing District, Taizhou, Jiangsu Province, requesting to order Taizhou Bioland to pay the remaining RMB42,952,327.45, and pay the one-year interest of RMB3,279,007.94 at the annual interest rate of 6.5%, the interest loss of overdue payment of RMB4,730,721.62 and the liquidated damages of RMB364,872.33. Taizhou Bioland filed a counterclaim on 30 November 2020, requesting Nantong No. 4 Construction to compensate for the loss of RMB1,408,072.96 and the interest on overdue payments arising from the quality problems of biogas sac foundation project. In March 2023, Taizhou Bioland received the first-instance judgment, which was as follows: (1) Taizhou Bioland paid the construction of RMB23,975,696.96 to Nantong No. 4 Construction, the one-year interest of RMB1,182,766.76 and overdue payment interest (calculated based on RMB20,336,414.61 from 31 December 2018 at the same loan interest rate until 19 August 2019, and from 20 August 2019 at the same loan market quotation rate until the actual payment date, and based on RMB3,639,282.35 from 12 from October 2020 at the same loan market quotation rate until the actual payment date); (2) Nantong No. 4 Construction had the priority right to receive compensation for the discount or auction of the project involved in the case for RMB3,639,282.35 of the above price; (3) Other requests for this claim and counterclaims were rejected. On 7 April 2023, Taizhou Bioland refused to accept the judgment and filed an appeal, requesting: (1) the revocation of the first and second items of the original judgment, remanding it for retrial or lawfully revising the judgment to reject the appellee’s litigation request; (2) the revocation of the third item of the original judgment, remanding it for retrial or lawfully revising the judgment to support the appellant’s litigation request; (3) a ruling that the appellee shall bear all the litigation costs and appraisal costs incurred in the case. As at 30 June 2023, the case is in the second-instance stage, and the Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.

In addition to the above matters, as at 30 June 2023, the total amount of the subject matter of the pending litigation and arbitration cases in which the Group is the defendant is RMB214,740,000. After consulting the relevant attorney, the Company’s Board of Directors believes that the outcome of the aforesaid litigation and arbitration and the compensation obligations, if any, cannot be reliably estimated.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. On 15 July 2023, with the approval of the 32nd meeting of the 9th Session of Board of Directors of the Company, the Company issued A-shares to specific targets, with the issue scale not exceeding RMB6.50 billion (inclusive), i.e., no more than 654,231,097 A-shares (inclusive). The net amount raised this time is intended to be used for Shenzhen section project of Shenzhen Outer Ring Expressway and for repaying interest-bearing liabilities. The matters related to the issuance of A-shares to specific targets still need to be deliberated and passed by the shareholders' meeting and separate meeting of classes of shareholders of the Company, and need to be approved by the main body responsible for fulfilling the supervision and management responsibilities of state-owned assets. It can only be implemented after being approved by the Shanghai Stock Exchange and approved by the China Securities Regulatory Commission for registration. Before and after the issue this time, the controlling shareholder of the Company is Shenzhen International, and the actual controller is Shenzhen SASAC. This issue will not result in a change in control of the Company.
2. On 15 July 2023, according to the approval of the 32th meeting of the 9th board of directors of the Company, the Company will continue to invest RMB8.45 billion in the construction of road linking Kengzi and Dapeng ("Outer Ring Phase III"). Based on the previously approved investment, a total of RMB14.95 billion investment in the construction of outer ring project has been approved. Previously, the Company was approved to invest RMB6.5 billion in the construction of Outer Ring Phase I and II at the Company's 2015 annual shareholders' meeting.
3. As approved and authorized at the general meeting of shareholders, the Company issued the third tranche of 2023 ultra-short term financing bonds from August 8 to August 9, 2023, at an issuance scale of RMB1.5 billion and a term of 270 days. The related bonds were listed on 10 August 2023. The code of the bonds is "012382959" while the short name of the bonds is "23 Shenzhen Expressway SCP003". The Company plans to use the raised funds to repay its debt financing instruments at maturity.
4. On 18 August 2023, with the approval of the 34th meeting of the 9th Session of Board of Directors of the Company, the Company will use Yichang Expressway with 100% toll road equity held by Yichang Company, the wholly-owned subsidiary of the Company, as the underlying infrastructure project to conduct pilot application work on the Real Estate Investment Trusts (REITs) in the field of infrastructure.

XIII. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) Basis for determination and accounting policies of reporting segments

According to the Group's internal organizational structure, management requirements and internal reporting system, the Group's operating business is divided into two operating segments. The Group's management regularly evaluates the operating results of these segments to determine the allocation of resources and evaluation its performance. On the basis of operating segments, the Group has identified two reporting segments, namely the toll road segment and the environmental protection segment. These reporting segments are determined on the basis of their main business. The main products and services provided by each reporting segment of the Group are: toll road segment, which takes charge of operation and management of toll roads in Mainland China; environmental protection segment, which refers to the operation and management of environmentally related infrastructure, mainly includes solid waste treatment, clean energy and other related fields; other businesses principally comprise the provision of entrusted management services, advertising services, property development, finance leases, construction services under franchise arrangement and other services. These businesses cannot be separated into reportable segments.

Notes to Financial Statements

For the six months ended 30 June 2023

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(1) Basis for determination and accounting policies of reporting segments (continued)

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

(2) Financial information of reporting segment

For the six months ended 30 June 2023

RMB

Item	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	2,598,948,376.71	752,407,236.14	773,524,352.43	-	4,124,879,965.28
Cost of services	1,219,675,497.71	570,845,555.62	690,092,989.73	-	2,480,614,043.06
Interest income	14,578,672.81	3,014,880.30	6,562,842.57	9,933,336.91	34,089,732.59
Interest expenses	38,668,904.02	102,946,082.48	446,828,891.32	-	588,443,877.82
Income from investment in associates and joint ventures	151,204,163.95	108,219,997.49	81,943,427.95	-	341,367,589.39
Credit impairment gains (losses)	-	(15,771,677.03)	218,759.59	-	(15,552,917.44)
Gains (losses) on impairment of assets	-	(41,237,184.70)	-	-	(41,237,184.70)
Gains (losses) on disposal of assets	12,924,778.56	(177,474.90)	209.94	211.04	12,747,724.64
Depreciation and amortization	867,930,824.44	217,084,199.92	46,297,220.20	38,237,429.76	1,169,549,674.32
Total profit	1,394,640,082.19	38,876,423.38	(200,478,581.57)	(31,969,474.66)	1,201,068,449.34
Income tax expenses	292,639,564.41	19,462,185.34	(41,856,697.88)	-	270,245,051.87
Net profit	1,102,000,517.78	19,414,238.04	(158,621,883.69)	(31,969,474.66)	930,823,397.47
Total assets	40,084,686,360.14	19,207,604,593.11	7,424,455,667.60	1,444,869,119.02	68,161,615,739.87
Total liabilities	29,202,934,854.39	8,489,803,558.84	2,180,163,095.37	1,553,009,644.88	41,425,911,153.48
Long-term equity investments in associates and joint ventures	10,678,797,340.64	5,287,803,432.42	1,972,202,147.16	-	17,938,802,920.22
Amount of non-current assets (exclusive of financial assets, long-term equity investments, and deferred tax assets)	14,607,664,285.09	8,934,019,895.71	12,789,714,709.28	1,709,094,043.13	38,040,492,933.21

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**1. Segment information (continued)****(2) Financial information of reporting segment (continued)**

For the six months ended 30 June 2022

RMB

Item	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	2,410,155,296.36	836,209,660.64	847,728,688.65	–	4,094,093,645.65
Cost of services	1,260,589,072.74	566,356,526.08	674,241,479.93	–	2,501,187,078.75
Interest income	4,608,391.38	5,015,188.97	23,480,206.37	57,200,285.35	90,304,072.07
Interest expenses	57,105,335.10	125,486,823.97	375,291,513.13	–	557,883,672.20
Income from investment in associates and joint ventures	130,275,084.15	123,326,749.50	76,108,589.98	–	329,710,423.63
Credit impairment gains (losses)	–	(19,954,392.39)	508,408.68	–	(19,445,983.71)
Gains (losses) on impairment of assets	–	(4,493,622.42)	–	–	(4,493,622.42)
Gains (losses) on disposal of assets	(2,757,516.75)	(3,775.00)	4,948,734.30	2,643,320.10	4,830,762.65
Depreciation and amortization	866,653,130.64	189,598,656.36	36,746,378.24	29,891,864.69	1,122,890,029.93
Total profit	1,164,210,639.65	166,163,326.77	(429,121,051.13)	170,235,083.14	1,071,487,998.43
Income tax expenses	238,823,796.32	4,406,941.13	(51,770,455.95)	–	191,460,281.50
Net profit	925,386,843.33	161,756,385.64	(377,350,595.18)	170,235,083.14	880,027,716.93
Total assets	43,129,457,888.09	18,855,735,991.82	8,152,165,718.65	2,067,843,010.44	72,205,202,609.00
Total liabilities	32,398,917,754.32	8,641,727,333.03	2,362,227,507.33	600,863,970.57	44,003,736,565.25
Long-term equity investments in associates and joint ventures	11,288,318,887.92	5,184,756,187.25	3,054,950,950.52	–	19,528,026,025.69
Amount of non-current assets (exclusive of financial assets, long-term equity investments, Deferred tax assets)	23,535,153,224.57	8,641,938,144.54	6,400,838,225.86	25,077,725.05	38,603,007,320.02

(3) Other information

The Group's revenue from external customers and the non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reached or exceeded 10% of the Group's revenue.

Notes to Financial Statements

For the six months ended 30 June 2023

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases

(1) As a lessor

Finance lease

The Group, as a lessor, entered into finance lease contracts with customers, with lease term ranging from 2 to 12 years. Finance lease contract does not contain options for renewal and termination.

Undiscounted lease receipts:

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Within 1 year (inclusive)	315,043,035.15	210,134,524.53
1 – 2 years (inclusive)	247,602,604.00	209,669,521.66
2 – 3 years (inclusive)	197,551,569.81	220,010,485.03
3 – 4 years (inclusive)	165,547,400.38	177,053,664.01
4 – 5 years (inclusive)	155,927,358.47	155,165,919.92
Over 5 years	533,791,059.92	671,719,088.05
Total of subsequent years	1,615,463,027.73	1,643,753,203.20
Unguaranteed residual value	–	–
Total lease investment	1,615,463,027.73	1,643,753,203.20
Less: Unrealized financing income	387,391,032.34	458,662,218.40
Net lease investment	1,228,071,995.39	1,185,090,984.80
Including: Finance lease receivables due within 1 year	239,515,257.74	145,910,867.47
Finance lease receivables due after 1 year	988,556,737.65	1,039,180,117.33

Gains relating to finance lease are as follows:

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Financing income from net lease investment	46,196,396.09	44,687,629.22

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**2. Leases (continued)****(1) As a lessor (continued)***Operating leases*

The Group leases out some parking spaces, workshops, staff dormitory buildings and other buildings, in which the parking spaces are for an indefinite lease term and the workshops and staff dormitory buildings are for the lease term of 1 to 25 years, forming an operating lease. For the six months ended 30 June 2023, the Group's income from the leases of parking spaces, houses and buildings was RMB12,546,071.84. The parking spaces, houses and buildings leased out are presented under investment properties. Refer to Note V, 15.

The Group also leases highway billboards and service areas, with lease term ranging from 1 to 10 years, which forms operating leases.

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Lease income	13,597,955.83	15,535,206.70

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Within 1 year (inclusive)	24,237,251.55	16,048,766.55
1 to 2 years (inclusive)	13,976,954.39	10,324,912.24
2 to 3 years (inclusive)	10,592,818.06	6,241,286.58
3 to 4 years (inclusive)	8,275,214.66	4,048,363.77
4 to 5 years (inclusive)	3,777,274.21	3,694,488.59
Over 5 years	17,682,432.49	19,533,564.88
Total	78,541,945.36	59,891,382.61

Notes to Financial Statements

For the six months ended 30 June 2023

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases (continued)

(2) As a lessee

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Interest expenses on lease liabilities (Note V, 52)	2,277,437.01	10,222,984.20
Expenses relating to short-term leases accounted for applying simplified treatment	16,479,855.91	17,857,993.75
Expenses relating to leases of low-value assets accounted for applying simplified treatment (other than short-term leases)	–	14,159.29
Income from sublease of right-of-use assets	4,431,074.00	5,732,647.94
Total cash outflow related to leases	74,890,359.11	52,737,254.55

The Group has lease contracts for various items of houses and buildings, vehicles, machinery and other equipment used in the operating process. Leases of houses and buildings, vehicles and machinery generally have lease terms of 1 to 9 years, while those of vehicles and other equipment generally have lease terms of 1 to 3 years. A few lease contracts contain options for renewal and termination.

Sale and leaseback transaction

In order to meet the capital requirements, the Group financed the machinery and equipment of kitchen waste disposal projects of Bioland Company in the form of sale and leaseback for a lease term of 1–8 years.

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Cash outflow of sale and leaseback transaction	166,267,564.75	46,898,243.49
Gains or losses arising from sale and leaseback transactions (Note V, 37)	7,603,842.17	18,826,050.11

Other lease information

For right-of-use assets, see Note V, 18; for simplified treatment of short-term leases and leases of low-value assets, see Note III, 30; for lease liabilities, see Note V, 36.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**3. Others**

In view of the fact that Nanjing Wind Power, a subsidiary of the Company, is in an accumulated loss position and the unrestricted cash at banks and on hand it holds are insufficient to repay its current liabilities due within the next year, the Company, as the controlling shareholder of Nanjing Wind Power, undertakes to use its best endeavors to provide support to Nanjing Wind Power within 12 months after the date of approval for issue of the financial statements so as to maintain Nanjing Wind Power's ability to continue as a going concern. Within 12 months after the date of approval for issue of the financial statements, Nanjing Wind Power has no plans for bankruptcy reorganization, liquidation or cessation of operations, etc.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS**1. Accounts receivable****(1) Accounts receivable disclosed by aging**

RMB

Aging	30 June 2023 (Unaudited)		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	46,427,123.29	–	–
1 to 2 years	–	–	–
2 to 3 years	–	–	–
Over 3 years	4,838,866.44	–	–
Total	51,265,989.73	–	–

(2) Accounts receivable disclosed by bad debt provision method

RMB

Category	30 June 2023 (Unaudited)					31 December 2022 (Audited)				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Credit loss allowance assessed on portfolio basis according to credit risk characteristics										
Portfolio I	37,404,330.03	72.96	–	–	37,404,330.03	7,754,176.53	26.57	–	–	7,754,176.53
Portfolio IV	13,861,659.70	27.04	–	–	13,861,659.70	21,430,437.56	73.43	–	–	21,430,437.56
Total	51,265,989.73	100.00	–	–	51,265,989.73	29,184,614.09	100.00	–	–	29,184,614.09

Notes to Financial Statements

For the six months ended 30 June 2023

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (continued)

(3) Top five accounts receivable categorized by debtor

RMB

Name of entity	30 June 2023 (Unaudited)	Proportion to the total accounts receivable (%)	Bad debt provision
Total of top five accounts receivable as at 30 June 2023	41,843,712.94	81.62	–

2. Other receivables

2.1 Summary of other receivables

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Dividends receivable	728,967,059.90	450,000,000.00
Other receivables	2,547,636,480.94	2,055,378,219.49
Total	3,276,603,540.84	2,505,378,219.49

2.2 Dividends receivable

RMB

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Mei Wah Company	450,000,000.00	450,000,000.00
Yichang Company	253,407,059.90	–
Bank of Guizhou	25,560,000.00	–
Total	728,967,059.90	450,000,000.00

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**2. Other receivables (continued)****2.3 Other receivables**(1) *Disclosure by aging*

RMB

Aging	30 June 2023 (Unaudited)		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	1,431,710,719.95	–	–
1 to 2 years	614,018,164.71	–	–
2 to 3 years	457,630,806.64	–	–
Over 3 years	44,276,789.64	–	–
Total	2,547,636,480.94	–	–

(2) *Other receivables analyzed by nature are as follows*

RMB

Nature	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Borrowings receivable	1,650,471,922.61	1,216,913,631.11
Advances receivable	894,605,836.74	835,851,338.76
Others	2,558,721.59	2,613,249.62
Total	2,547,636,480.94	2,055,378,219.49

(3) *Top five other receivables categorized by debtor*

RMB

Category	Nature	30 June 2023	Aging	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Total of top five other receivables at 30 June 2023	Borrowings receivable	1,673,793,205.55	1 – 3 years	65.70	–

Notes to Financial Statements

For the six months ended 30 June 2023

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

RMB

Investee	1 January 2023 (Audited)	Changes in the period							30 June 2023 (Unaudited)	Closing balance of provision for impairment	
		Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividend or profit declared	Provision for impairment			Others
Associates and joint ventures:											
Nanjing Third Bridge Company	449,038,114.64	-	-	31,058,839.53	-	-	(36,395,306.53)	-	-	443,701,647.64	-
Yangmao Company	831,127,311.40	-	-	24,525,971.09	-	-	(50,001,498.89)	-	-	805,651,783.60	-
GZ W2 Company	321,828,011.03	-	-	28,796,497.57	-	-	(15,827,500.00)	-	-	334,797,008.60	-
United Land Company	23,392,242.61	-	-	(234,602.80)	-	-	-	-	-	23,157,639.81	-
Shengchuang Fund	118,382,068.13	-	-	(3,184,541.37)	-	-	-	-	-	115,197,526.76	-
Others	1,460,253,108.04	-	-	58,323,437.04	-	-	(25,560,000.01)	-	(20,820,044.54)	1,472,196,500.53	-
Sub-total	3,204,020,855.85	-	-	139,285,601.06	-	-	(127,784,305.43)	-	(20,820,044.54)	3,194,702,106.94	-
Investment in subsidiaries:											
Meiguan Company	521,260,142.34	-	-	-	-	-	-	-	-	521,260,142.34	-
Qinglong Company	101,477,197.16	-	-	-	-	-	-	-	-	101,477,197.16	-
Shenzhen High Speed Advertising Limited Company ("Advertising Company")	3,325,000.01	-	(3,325,000.01)	-	-	-	-	-	-	-	-
Mei Wah Company	831,769,303.26	-	-	-	-	-	-	-	-	831,769,303.26	-
Qinglan Company	1,385,448,900.00	-	(187,668,005.40)	-	-	-	-	-	-	1,197,780,894.60	678,765,149.21
Outer Ring Company	7,150,000,000.00	-	-	-	-	-	-	-	-	7,150,000,000.00	-
Investment Company	400,000,000.00	400,000,000.00	-	-	-	-	-	-	-	800,000,000.00	-
Environment Company	5,000,000,000.00	-	-	-	-	-	-	-	-	5,000,000,000.00	-
Operation Development Company	30,000,000.00	3,325,000.01	-	-	-	-	-	-	-	33,325,000.01	-
Shenchang Company	33,280,762.94	-	-	-	-	-	-	-	-	33,280,762.94	-
Yichang Company	1,270,000,000.00	-	-	-	-	-	-	-	-	1,270,000,000.00	-
Construction Development Company	30,000,000.00	-	-	-	-	-	-	-	-	30,000,000.00	-
Infrastructure Environment Protection Development Company	255,000,000.00	-	-	-	-	-	-	-	-	255,000,000.00	-
Coastal Company	1,787,939,407.88	-	-	-	-	-	-	-	-	1,787,939,407.88	-
Fund Company	10,000,000.00	-	-	-	-	-	-	-	-	10,000,000.00	-
Baotou Nanfeng	1,280,900.27	-	-	-	-	-	-	-	-	1,280,900.27	-
Financial Leasing Company	678,193,419.87	-	-	-	-	-	-	-	-	678,193,419.87	-
New Energy Company	2,161,250,000.00	-	-	-	-	-	-	-	-	2,161,250,000.00	-
Guangming Environmental Technology	200,000,000.00	-	-	-	-	-	-	-	-	200,000,000.00	-
Longda Company	103,816,567.61	-	-	-	-	-	-	-	-	103,816,567.61	-
Shenzhen Expressway Business	4,000,000.00	-	-	-	-	-	-	-	-	4,000,000.00	-
Expressway Digital Technology	2,550,000.00	-	-	-	-	-	-	-	-	2,550,000.00	-
Sub-total	21,960,591,601.34	403,325,000.01	(190,993,005.41)	-	-	-	-	-	(20,820,044.54)	22,172,923,595.94	678,765,149.21
Total	25,164,612,457.19	403,325,000.01	(190,993,005.41)	139,285,601.06	-	-	(127,784,305.43)	-	(20,820,044.54)	25,367,625,702.88	678,765,149.21

Note: The detailed information about investment in associates and joint ventures is set out in Note V, 13.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**4. Operating income and costs**

RMB

Item	For the six months ended 30 June 2023 (Unaudited)		For the six months ended 30 June 2022 (Unaudited)	
	Revenue	Cost	Revenue	Cost
Main businesses	593,520,193.39	191,569,885.79	521,653,774.90	188,455,107.18
Other businesses	137,715,877.96	131,248,559.27	77,684,394.75	72,932,058.95
Total	731,236,071.35	322,818,445.06	599,338,169.65	261,387,166.13

5. Investment income

RMB

Item	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
Income from long-term equity investments under the cost method	417,234,056.78	71,072,414.65
Income from long-term equity investments under the equity method	139,285,601.06	120,172,722.38
Investment income from other non-current financial assets	8,280,000.00	9,199,200.01
Investment income from transactional financial assets	7,767,123.28	
Total	572,566,781.12	200,444,337.04

Notes to Financial Statements

For the six months ended 30 June 2023

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

Item	Amount
Profits and losses on disposal of non-current assets	13,907,938.90
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	11,074,072.54
Income earned from lending funds to non-financial institutions and recognized in profit or loss	2,971,698.12
Profits or losses on changes in the fair value of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities, and other non-current financial assets, as well as the investment income from the disposal of the above financial assets/liabilities, other than those used in the effective hedging activities relating to normal operating business	148,232,568.84
Other non-operating income or expenses other than the above	(32,887,738.73)
Sub-total	143,298,539.67
Tax effects	(30,265,971.32)
Effects attributable to minority interests	11,649,306.31
Total	124,681,874.66

Basis for preparation of the breakdown of non-recurring profit or loss:

Under the requirements in *Explanatory Announcement No. 1 on Information Disclosure for Companies Making Public Offering of Securities – Non-Recurring Profit or Loss [2008]* from the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements when making proper judgments on the performance and profitability of an enterprise.

XV. SUPPLEMENTARY INFORMATION (CONTINUED)**2. Return on net assets and earnings per share**

The table of calculation of return on net assets and earnings per share has been prepared by Shenzhen Expressway Corporation Limited in accordance with the relevant provisions of the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share* (revised in 2010) issued by the China Securities Regulatory Commission.

RMB

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	4.85	0.384	0.384
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	4.12	0.327	0.327

Company Information

1. Company Profile

Registered name	深圳高速公路集團股份有限公司
Chinese abbreviation	深高速
English name	Shenzhen Expressway Corporation Limited
English abbreviation	SZEW
Legal representative	HU Wei

2. Contact Information

	Secretary of the Board	Joint company secretary	Securities officer
Name	ZHAO Gui Ping	ZHAO Gui Ping, LAM Yuen Ling Eva	GONG Xin, XIAO Wei
Contact address	46/F, Hanking Centre, 9968 Shennan Avenue, Nanshan District, Shenzhen		
Telephone	(86) 755-8669 8069; (86) 755-8669 8065		
Fax	(86) 755-8669 8002		
E-mail	secretary@sz-expressway.com		

3. General Information

Registered address	Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen Postal Code: 518110
Place of business	46/F, Hanking Centre, 9968 Shennan Avenue, Nanshan District, Shenzhen Postal Code: 518057
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Principal place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

4. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	http://www.sse.com.cn http://www.hkexnews.hk http://www.sz-expressway.com
Interim report available at:	PRC: 46/F Hanking Center Tower, No. 9968 Shennan Avenue, Nanshan District, Shenzhen Hong Kong: Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong

Company Information

5. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Shanghai Stock Exchange	G20 Shenzhen Expressway 1	175271
Bond	The Shanghai Stock Exchange	G21 Shenzhen Expressway 1	175979
Bond	The Stock Exchange of Hong Kong Limited	SZEXP B2607	40752
Bond	The Shanghai Stock Exchange	21 Shenzhen Expressway 01	188451
Bond	The Shanghai Stock Exchange	22 Shenzhen Expressway 01	185300

6. Other Information

Auditor	Deloitte& Hua Yong LLP 30/F Bund Centre, No. 222 Yang An East Road, Huang Pu District, Shanghai Signing accountants: HUANG Yue, LIU Chan
PRC legal adviser	Guangdong Junyan Law Firm 29/F, Block 5, Dachong International Centre, Shennan Avenue, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 188 South Yanggao Road, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 17M/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 3801-3803, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 9/F, The Centre, 99 Queen's Road Central, Central, Hong Kong
Principal banks	China Development Bank, Industrial and Commercial Bank of China, Bank of China, China Merchants Bank, etc.

- ◆ *Unless otherwise stated, the amounts stated in this report are in RMB.*
- ◆ *The total of breakdown and the total may not equal in mantissa due to rounding.*



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