Huayu Expressway Group Limited

華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1823

ANNUAL REPORT
2022

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chan Yeung Nam *(Chairman)*
Mai Qing Quan *(Chief Executive Officer)*
(resigned on 1 April 2022)
Fu Jie Pin *(Chief Executive Officer)*
Liu Bao Hua (appointed on 1 April 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sun Xiao Nian
Chu Kin Wang, Peleus
Hu Lie Ge

BOARD COMMITTEES

AUDIT COMMITTEE

Chu Kin Wang, Peleus *(Chairman)*
Hu Lie Ge
Sun Xiao Nian

NOMINATION COMMITTEE

Sun Xiao Nian *(Chairman)*
Hu Lie Ge
Fu Jie Pin

REMUNERATION COMMITTEE

Hu Lie Ge *(Chairman)*
Chu Kin Wang, Peleus
Fu Jie Pin

COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Chan Yeung Nam
Sin Ka Man

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1205
12/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman
KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Stevenson, Wong & Co.
39/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

For the year ended 31 December

RESULTS	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)	2019 RMB'000 (restated)	2018 RMB'000 (restated)
Revenue	**409,886**	688,452	515,851	532,725	294,463
Profit before taxation	**68,496**	128,045	99,140	112,345	68,302
Income tax	**(19,297)**	(42,960)	(21,883)	(31,342)	26,410
Profit from continuing operations	**49,199**	85,085	77,257	81,003	94,712
Profit from discontinued Sui-Yue Expressway operation, net of tax	**37,715**	49,219	–	–	–
Profit for the year	**86,914**	134,304	77,257	81,003	94,712
Attributable to:					
Equity shareholders of the Company	**49,028**	86,426	65,722	56,738	77,630
Non-controlling interests	**37,886**	47,878	11,535	24,265	17,082
Profit for the year	**86,914**	134,304	77,257	81,003	94,712

At 31 December

ASSETS AND LIABILITIES	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)	2019 RMB'000 (restated)	2018 RMB'000 (restated)
Total assets	**1,955,952**	1,908,017	1,784,493	1,828,307	1,983,225
Total liabilities	**1,152,922**	1,189,941	1,096,233	1,206,010	1,395,063
	803,030	718,076	688,260	622,297	588,162
Attributable to:					
Equity shareholders of the Company	**518,168**	471,587	518,015	461,327	452,992
Non-controlling interests	**284,862**	246,489	170,245	160,970	135,170
	803,030	718,076	688,260	622,297	588,162

As set out in note 1(c)(ii) to the financial statements, the Group had changed its presentation currency from HKD to RMB for the presentation of its financial statements for the year ended 31 December 2022. The change of presentation currency will be applied retrospectively. The comparative figures for the years ended 31 December 2021, 2020, 2019 and 2018 have been restated in RMB.

As set out in the note 7 to the financial statements, the Sui-Yue Expressway segment owned and operated by Hunan Daoyue Expressway Industry Co., Ltd. (湖南道岳高速公路實業有限公司, "Daoyue") was not previously classified as held-for-sale or a discontinued Sui-Yue Expressway operation. The comparative consolidated statement of profit or loss for the year ended 31 December 2021 has been re-presented to show the discontinued Sui-Yue Expressway operation separately from continuing operations. For the interests of the shareholders of the Company (the "Shareholders"), the results for the years ended 31 December 2020, 2019 and 2018 are not restated in this respect.

Chairman Statement

On behalf of the board (the “Board”) of directors (the “Directors”) of Huayu Expressway Group Limited (the “Company”), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022.

The ongoing impact of the COVID-19 pandemic, coupled with geographical instability and global inflation, posed challenges to global economic growth in 2022. In the People’s Republic of China (the “PRC” or “China”), the tightening of COVID-19 restrictions and lockdown measures triggered by COVID-19 outbreaks in several cities led to business disruptions that continued to put pressure on economic activity throughout 2022. The Group recorded revenue of approximately RMB409.9 million for the year ended 31 December 2022, a drop of 40.5% from the previous year. The profit for the year was about RMB86.9 million, decreased by about 35.3% from about RMB134.3 million for the year ended 31 December 2021 (restated). Although the COVID-19 infections might continue to create short-term macroeconomic volatility, the PRC government’s announcement in December 2022 of a nationwide easing of COVID-19 restriction brightens the outlook for the economy in 2023 and beyond.

In December 2022, we entered into an agreement to dispose of the 60% equity interest in our Sui-Yue Expressway (Hunan Section) (the “Sui-Yue Expressway”) operation. Upon completion, expected to be in or about April 2023, we will receive a substantial amount of consideration which will significantly improve our cash position. This disposal provided an opportunity to unlock our investment amid the recent uncertain economic environment and fluctuating COVID-19 pandemic condition in the PRC.

After the disposal of the Sui-Yue Expressway operation, trading of liquor and spirits will become one of the most significant business segments in the Group. Upon the easing of COVID-19 restriction from December 2022, the business has returned to normal in the first quarter of 2023. Without the lock-down policy and restrictions in social activities, we will continue our effort in the brand building for Huamaojiu and Xijiushaofang through our active marketing campaigns and promotion, such as the wine tasting events and promotion conference.

In addition to the trading of liquor and spirits business, we invested about RMB86.6 million in the development of base wine production facility in Guizhou, through an associate of the Group for the year ended 31 December 2022. With this production facility, we can increase our presence in the wine industry in the PRC. Additional injection will be made to this project in 2023.

About our core business, toll road operation, the Qing Ping Expressway provides a stable income to the Group. Although its business was seriously affected by the COVID-19 pandemic, the traffic flow and the toll revenue recovered and were back to normal from the first quarter of 2023. Located in Shenzhen, with a high growth rate in the economic activities, the expressway will be one of the major sources of cash flow to the Group in future.

With the success in the liquor and spirits trading business, we are keeping our eyes on other prosperous business opportunities. In accordance with our strategy, we will pursue other infrastructure projects in China whenever suitable opportunities arise. Furthermore, we will also consider extending our operations to include other prosperous businesses once favourable opportunities appear.

On behalf of the Board, I would like to express my deepest gratitude to our shareholders, investors, business partners and customers for their unwavering trust and support, and to our directors, management and staff for their invaluable contributions over the past years. We will continue to recalibrate our efforts to bring greater returns to all Shareholders as the Group embraces a sustainable and prosperous future.

Chan Yeung Nam
Chairman

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the occasional and regional outbreak of the COVID-19 pandemic in the PRC and the significant increase in the petroleum price during the year of 2022, the result of the Group was seriously affected. For the year ended 31 December 2022, total revenue of the Group decreased to about RMB409.9 million and the profit for the year was about RMB86.9 million.

CHANGE OF PRESENTATION CURRENCY

The consolidated financial statements of the Group had been presented in HKD. Having considered that most of the Group's transactions and business activities are settled in RMB and conducted in Mainland China and in view of the recent fluctuation of the exchange rate of RMB against HKD, the Company considers that changing the presentation currency from HKD to RMB would help to eliminate fluctuation on the reported results caused by fluctuation of the exchange rate which does not have any direct relationship to the Group's financial performance. The Company considers that it is more appropriate to use RMB as the Group's presentation currency for its consolidated financial statements and this will enable the Shareholders to better understand the actual financial performance of the Group.

The Group had changed its presentation currency from HKD to RMB for the presentation of its financial statements for the year ended 31 December 2022. The change of presentation currency will be applied retrospectively. The comparative figures for the year ended 31 December 2021 have been restated in RMB in this report.

DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 1 December 2022, the Group entered into a sale and purchase agreement with NWS (Guangdong) Investment Company Limited ("NWS"), a minority shareholder which owned 40% of the equity interest of Daoyue, a non wholly-owned subsidiary of the Group in which the Group has 60% of the equity interest. Pursuant to the sale and purchase agreement, the Group agreed to sell its entire equity interests in Daoyue to NWS at an initial consideration of RMB555.7 million (the "Disposal"). Accordingly, the Sui-Yue Expressway segment owned and operated by Daoyue was classified as discontinued operation and the assets and liabilities of Daoyue are presented as disposal group held for sale.

For the year ended 31 December 2022, the profit (net of tax) from discontinued operation was about RMB37.7 million, decreased by about 23.4% from about RMB49.2 million for the year ended 31 December 2021 (restated). The decrease was mainly due to the COVID-19 pandemic and provision in respect of the compensations and liabilities to be borne by Daoyue under the legal proceedings relating to construction contract dispute commenced in 2021 whereby Daoyue was a defendant.

Management Discussion and Analysis

REVENUE

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB409.9 million, decreased by 40.5% from that of approximately RMB688.5 million for the year ended 31 December 2021 (restated).

The toll revenue received from the First Phase of Qing Ping Expressway was about RMB68.8 million for the year ended 31 December 2022, decreased by 22.6% from about RMB88.9 million for the year ended 31 December 2021 (restated). The traffic flow of the Qing Ping Expressway was about 20.9 million vehicles, decreased by about 22.6% from that of 27.0 million vehicles for the year ended 31 December 2021. The major reason for the decrease was the COVID-19 pandemic, the increase in the petroleum price and the traffic diversion to the surrounding new roads.

For the sales of liquor and spirits, the lock-down of the PRC cities during the pandemic period discouraged the consumption of liquor and spirits in social gathering and business entertainment for the year ended 31 December 2022. The total revenue was about RMB341.1 million, decreased by about 43.1% from that of RMB599.6 million for the year ended 31 December 2021 (restated). Huamaojiu was still the main brand of liquors sold during the year ended 31 December 2022, accounted for about 73.3% of the total revenue of the segment of business. In addition, the Group also sold other brands of liquors, such as Xijiushaofang（習酒燒坊）during the year ended 31 December 2022.

COST AND GROSS PROFIT

The Group had a gross profit of about RMB119.7 million for the year ended 31 December 2022, decreased by 42.6% from about RMB208.4 million for the year ended 31 December 2021 (restated). The decrease in gross profit was mainly due to the decrease in the revenues during the COVID-19 pandemic period. The gross profit ratio was about 29.2% for the year ended 31 December 2022, decreased from about 30.3% for the year ended 31 December 2021 (restated).

For the Qing Ping Expressway, the cost of sales was about RMB54.7 million and the gross profit ratio was about 20.5% for the year ended 31 December 2022. The decrease in the gross profit ratio of the Qing Ping Expressway from 30.8% for the year ended 31 December 2021 (restated) was mainly due to the plunged toll revenue as a result of the COVID-19 pandemic.

The total cost of sales for the liquor and spirits trading business was about RMB235.5 million and its gross profit ratio was about 31.0% for the year ended 31 December 2022. There was no material fluctuation in the gross profit ratio from about 30.2% of the year ended 31 December 2021 (restated).

OTHER REVENUE AND OTHER NET (LOSS)/INCOME

The Group recorded other revenue of approximately RMB3.4 million and RMB3.9 million for the years ended 31 December 2022 and 2021 (restated) respectively. In addition, other net loss for the Group was about RMB2.7 million for the year ended 31 December 2022 and other net income was RMB2.4 million for the year ended 31 December 2021 (restated). Other revenue of the Group was mainly the rental income from the billboards along the Qing Ping Expressway and interest income from bank deposits. Other net (loss)/income mainly represented the exchange difference recorded during the years.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2022 were approximately RMB38.7 million, decreased by 46.6% from approximately RMB72.4 million for the year ended 31 December 2021 (restated). The decrease was mainly due to the one-off share-based payment expenses of approximately RMB30.4 million about granting the share options during the year ended 31 December 2021 (restated).

SELLING AND DISTRIBUTION COSTS

The Group recorded about RMB15.9 million of selling and distribution costs, including advertising fee and staff salary for the year ended 31 December 2022, significantly decreased by 38.5% from about RMB25.8 million for the year ended 31 December 2021 (restated). The amount was mainly used for the liquor and spirits trading business. Since the occasional lock-down during the COVID-19 pandemic period, the advertising and promotion events of the Group were limited during the year ended 31 December 2022.

FINANCE COSTS

For the year ended 31 December 2022, the finance costs of the Group were about RMB1.5 million, decreased by 42.7% from approximately RMB2.7 million for the year ended 31 December 2021 (restated). The decrease was mainly due to the decrease in the amount of total bank loans during the year ended 31 December 2022.

PROFIT FOR THE YEAR

For the year ended 31 December 2022, the Group recorded profit for the year of about RMB86.9 million, decreased by about 35.3% from about RMB134.3 million for the year ended 31 December 2021 (restated). The decrease of the profit for the year was mainly attributed by the significant plunge in the revenue from the trading of liquor and spirits business due to the restrictions in the economic activities in the PRC during the pandemic period.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2022, the Group financed its operations and capital expenditures by internal resources of the Company, borrowings from the controlling shareholder of the Company and bank loans. As at 31 December 2022, total bank loans drawn by the Group amounted to about RMB927.9 million (2021 (restated): approximately RMB987.9 million), about RMB877.9 million out of which was directly associated with the disposal group held for sale. The amount due to the controlling shareholder of the Company was RMB91.1 million (2021 (restated): RMB83.4 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately RMB260.1 million (2021 (restated): approximately RMB271.9 million). Among them, about RMB54.4 million was directly associated with the disposal group held for sale.

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient cash and bank balances and standby banking facilities to cope with daily operation and any demands for capital in future development. As at 31 December 2022, total banking facilities of the Group amounted to approximately RMB927.9 million, which were mainly for the settlement of construction costs of the Sui-Yue Expressway and general working capital. The ratio of total outstanding bank loans and other borrowing, for the continuing operations only, to total equity was 0.06 (2021: 1.38).

As at 31 December 2022, the bank loans and other borrowing of the Group other than those included in the disposal group held for sale were repayable as follows:

	2022 **RMB'000**
Within 1 year or on demand	**50,000**

As at 31 December 2022, the short-term bank loan of RMB50,000,000 borrowed by a subsidiary of the Group was guaranteed by the Company.

As at 31 December 2022, the bank loans and other borrowing directly associated with the disposal group held for sale were repayable as follows:

	2022 **RMB'000**
Within 1 year or on demand	**80,000**
After 1 year but within 2 years	**80,000**
After 2 years but within 5 years	**250,000**
After 5 years	**467,924**
	877,924

As at 31 December 2022, the Company had issued a guarantee to a bank in respect of a banking facility granted to Daoyue. Such guarantee will be released after the completion of the Disposal.

The Group's borrowings were mainly arranged on a floating rate basis. During the year ended 31 December 2022, the Group did not enter into any hedging arrangements to hedge against exposure in interest rate risk. Any substantial fluctuation of interest rate may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's interest rate exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

As at 31 December 2022, the intangible asset relating to service concession arrangement of RMB115,091,000 represents the right of the Group to operate the Qing Ping Expressway and receive toll fees therefrom. No impairment indicators were identified by management at the end of reporting period.

During the year, the intangible asset relating to service concession arrangement of the rights to operate the Sui-Yue Expressway operated by Daoyue was classified as assets held for sale as set out in note 7 to the financial statements. Immediately before the initial classification of the disposal group as held for sale, an assessment on whether there is a further impairment or a reversal of impairment on the carrying amounts of the intangible asset relating to the Sui-Yue Expressway in the disposal group was made. Accordingly, management performed the impairment assessment based on a valuation report prepared by an external valuer, Ernst & Young, appointed by management using a discounted cash flow forecast for the cash generating unit ("CGU"). No further provision or reversal of impairment loss for intangible assets relating to service concession arrangement of the Sui Yue Expressway is considered necessary by management. Upon and subsequent to the initial classification, the disposal group held for sale was measured at the lower of its carrying amount and fair value less costs to sell. Management estimated the fair value less costs to sell of the disposal group upon initial reclassification and at the end of the reporting period. The fair value less costs to sell of the disposal group is higher than the carrying amount of the disposal group upon the reclassification and at the end of the reporting period.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits and the amount due to the controlling shareholder of the Company are denominated in HKD.

As at 31 December 2022, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against HKD may cause financial impacts on the Group, the management of the Company will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

PLEDGE OF ASSETS

As at 31 December 2022, the bank loans of RMB877.9 million from China Merchants Bank directly associated with the disposal group held for sale were secured by the pledge of the toll collection right in relation to the Sui-Yue Expressway.

CAPITAL COMMITMENTS

As at 31 December 2022, there was an amount of about RMB63.4 million commitment for the investment in an associate (2021 (restated): Nil) outstanding for the Group.

BUSINESS REVIEW

QING PING EXPRESSWAY

For the year ended 31 December 2022, the total toll revenue of Qing Ping Expressway was about RMB68.8 million, decreased by about 22.6% from about RMB88.9 million for the year ended 31 December 2021 (restated). The average traffic flow for the year ended 31 December 2022 was about 1.7 million vehicles per month, decreased by about 22.7% from about 2.2 million vehicles per month for the year ended 31 December 2021. Average toll for the year ended 31 December 2022 was about RMB3.3 per vehicle, which is nearly the same for the year ended 31 December 2021.

TRADING OF LIQUOR AND SPIRITS

The COVID-19 pandemic also adversely affected the business of liquor and spirits during the year ended 31 December 2022. With the occasional lock-down policy and the restrictions in the social activities, the consumption of alcoholic beverages dropped significantly. The Group recorded a revenue of trading of liquor and spirits of approximately RMB341.1 million, decreased by about 43.1% from the year ended 31 December 2021 (restated). For the year ended 31 December 2022, active marketing campaigns and promotions were limited and segment adjusted EBITDA dropped by 39.1% to about RMB78.2 million.

DISPOSAL OF 60% OF THE EQUITY INTEREST IN DAOYUE

On 1 December 2022, the Group entered into a sales and purchase agreement with NWS, a minority shareholder who owned 40% of the equity interest of Daoyue. Pursuant to the sale and purchase agreement, the Group agreed to sell the 60% of the equity interest in Daoyue at a consideration of RMB555.7 million. The Disposal was expected to be completed in or about April 2023.

Upon the completion of the Disposal, the Group will receive a substantial amount of consideration, which will improve the cash position of the Group. The Disposal provides an opportunity to the Group to unlock the Group's investment amid the recent uncertain economic environment and fluctuating COVID-19 pandemic condition in the PRC.

SPECIAL INTERIM DIVIDEND

The Group declared a special interim dividend of HK$0.121 per share to the Shareholders on 2 March 2023 after considering the business, financial and cashflow position of the Group. The dividend will be paid on or about 25 April 2023.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2022, the Group had a total of 451 (2021: 480) employees in the PRC and Hong Kong which included management staff, engineers and technicians. For the year ended 31 December 2022, the Group's total expenses on the remuneration of employees were approximately RMB53.7 million (2021 (restated): RMB88.5 million, of which there was an amount of about RMB34.7 million of share-based payment expenses about granting the share options during the year ended 31 December 2021). For the continuing operations, the number of employees as at 31 December 2022 and the total expenses on the remuneration of the employees for the year ended 31 December 2022 were about 285 (2021: 293) and RMB38.4 million (2021 (restated): RMB69.5 million) respectively. On the other hand, for the discontinued operation of the Sui-Yue Expressway, the number of employees as at 31 December 2022 was about 172 (2021: 187) and the total expenses on the remuneration of the employees for the year ended 31 December 2022 were about RMB15.3 million (2021 (restated): RMB19.0 million).

The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the MPF Scheme (for Hong Kong employees), the contribution retirement benefit scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of their performance.

The Company adopted a share option scheme on 11 June 2020 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The 40,000,000 share options granted in 2021 were expired and lapsed in 2022. There was no share option outstanding under the share option scheme as at 31 December 2022 (2021: 40,000,000).

PROSPECTS

With the outbreak of the COVID-19 pandemic, the rise in petroleum price and the continued increase in interest rate, the Group faced a historical challenge in our business. The revenue and the profit of the Group plunged significantly for the year ended 31 December 2022. But with the ease of restrictions and resumption of the economy in the PRC from the beginning of 2023, the most difficult period was over and the business has been rapidly returned to normal in the first quarter of 2023.

For the Qing Ping Expressway, with the recovery and growth in the economic activities in Shenzhen, the traffic flow and the toll revenue increased substantially in the first few months of 2023. The business of trading liquor and spirits also recovered and improved significantly in the first quarter of 2023. The Group is full of confidence about the performance of this business segment in the post COVID-19 pandemic period. With the established marketing network and efficient distribution channel, the Group will continue its effort in the brand building for Huamaojiu and Xijiushaofang. More sales and marketing activities will be arranged in the future, such as the wine tasting events and promotion conference.

Management Discussion and Analysis

After the realisation of the 60% of the equity interest in the Sui-Yue Expressway, there will be a cash inflow of about RMB496.3 million. This amount will significantly improve the liquidity and cash flow of the Group. In addition, the disposal of the Sui-Yue Expressway will significantly reduce the gearing of the Group and increase its sustainability, especially in the high interest rate environment.

With the experience of the Directors in successfully completing other PRC toll-expressway projects, and the connections and reputation established by them in the PRC, the Group will continue to tap and pursue opportunities which are consistent with its overall business strategies, and will aim to generate a satisfactory return on investment.

In accordance with this strategy, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from infrastructure projects, the Group may also consider developing and expanding the liquor and spirits business including but not limited to acquisition of wine manufacturing business shall the appropriate opportunities arise. Furthermore, the Group will also consider extending its operation to include some other prosperous businesses once favourable opportunity appears.

The Board is committed to maintaining good corporate governance practices and has therefore reviewed the corporate governance policies of the Company with the adoption and improvement of various procedures and documentations which are detailed below.

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance. For the year ended 31 December 2022, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2022.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. Key responsibilities include formulation of the Group's overall strategies and policies, setting of performance targets, evaluation of business performance and oversight of management policies. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company. The delegated functions are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by senior management.

The Board is also responsible to establish the Company's purpose, values and strategy, and satisfy itself that these and the Company's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture and such cultures instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

As at 31 December 2022, the Board comprised three executive Directors and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. To the best knowledge of the Directors, there is no financial, business or family relationship among the members of the Board.

Brief details of the attendance of the meetings of the Board, Board committees and general meetings of the Company held during the year ended 31 December 2022 under review were summarised as follows:

	Board	**General Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
	Note	*Note*	*Note*	*Note*	*Note*
Executive Directors					
Chan Yeung Nam	11/11	0/2	N/A	N/A	N/A
Mai Qing Quan (resigned on 1 April 2022)	2/11	0/2	N/A	N/A	N/A
Fu Jie Pin	11/11	0/2	N/A	3/3	3/3
Liu Bao Hua (appointed on 1 April 2022)	9/11	0/2	N/A	N/A	N/A
Independent non-executive Directors					
Sun Xiao Nian	11/11	0/2	4/4	N/A	3/3
Chu Kin Wang, Peleus	11/11	2/2	4/4	3/3	N/A
Hu Lie Ge	11/11	0/2	4/4	3/3	3/3

Note: Number of meetings attended/Number of meetings held

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all times and may seek independent professional advice at the Company's expense. When queries are raised by Directors, steps would be taken to respond as promptly and as fully as possible. All Directors have the opportunity to include matters in the agenda of board meetings. Notices of at least 14 days of board meetings are given to the Directors and the board procedures comply with the articles of association of the Company (the "Articles"), as well as relevant rules and regulations.

The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and expertise relevant to the businesses of the Group. The Board has already achieved the gender diversity as there is a female executive Director, Ms. Liu Bao Hua, pursuant to the CG Code. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. The independent non-executive Directors have brought independent and external dimension as well as constructive and informed comments on the Group's strategies, policies, performance, accountability, resources, key appointments and standards of conduct, through regular attendance and active participation in the meetings of the Board and Board committees. In determining the independence of the independent non-executive Directors, the Board follows the requirements set out in the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent. Pursuant to Rule 3.10 of the Listing Rules, at least one of the independent non-executive Directors, Mr. Chu Kin Wang, Peleus, has the appropriate professional qualification or accounting or related financial management expertise.

The Board has developed and reviewed the Company's policies and practices on corporate governance. It includes the review and monitoring of the training and continuing professional development of Directors and senior management; the Company's policies and practices on compliance with legal and regulatory requirements; the development, review and monitoring of the code of conduct of the Company's employees and Directors; and the review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

THE ROLES OF CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The division of responsibilities between the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer") is clearly defined and has been approved by the Board. The Chairman, Mr. Chan Yeung Nam, is responsible for leading the Board in the determination of the strategies of the Company and in the achievement of its objectives and ensuring the effective operation of the Board, through which the Chairman will ensure that good corporate governance practices and procedures are established and followed, and that all Directors receive all relevant information in a timely manner. The Chairman will also encourage all Directors, including the independent non-executive Directors, to actively participate in all meetings of the Board and the Board committees. He is also responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the daily business of the Group.

The Chief Executive Officer, Mr. Fu Jie Pin, is directly in charge of the daily operations of the Group and is accountable to the Board for the financial and operational performance of the Group.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors (including executive Directors and independent non-executive Directors) has entered into a service contract with the Company for an initial term of three years, subject to termination in accordance with the provisions of the service contract or by either party serving the other not less than three months' prior written notice.

For newly appointed Directors, they have received a comprehensive, formal and tailored induction on appointment. Subsequently they have received briefing and professional development necessary to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

In accordance with the Articles, each year, one third of the Directors for the time being will retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years at the annual general meeting.

TERMS OF APPOINTMENT OF DIRECTORS

Each of the Directors (including executive Directors and independent non-executive Directors) has entered into a service contract with the Company for a term of three years, subject to termination in accordance with the provisions of the service contract or by either party serving the other not less than three months' prior written notice. No Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuing professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors have been informed of the requirement under the CG Code regarding continuing professional development. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuing professional development for the year ended 31 December 2022:

	Training activities undertaken
Executive Directors	
Chan Yeung Nam	A
Mai Qing Quan (resigned on 1 April 2022)	A
Fu Jie Pin	A
Liu Bao Hua (appointed on 1 April 2022)	A
Independent non-executive Directors	
Sun Xiao Nian	A
Chu Kin Wang, Peleus	A and B
Hu Lie Ge	A

Notes:

A: *attending briefing sessions and/or seminars*

B: *reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements*

BOARD DIVERSITY POLICY

Pursuant to the CG Code relating to board diversity, the Board adopted a board diversity policy (the "Board Diversity Policy") on 28 August 2013. The Board Diversity Policy ensures the nomination committee of the Company (the "Nomination Committee") nominates and appoints candidates on merit basis, while having appropriate balance of skills and experience necessary to enhance the effectiveness of the Board so to maintain high standards of corporate governance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, industry experience and professional experience.

NOMINATION POLICY

The nomination policy of Company aims to set out the criteria and process in the nomination and appointment of Directors, to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company, and to ensure the Board's continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s); and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of Directors and succession planning.

COMPANY SECRETARY

Mr. Sin Ka Man, the company secretary of the Company (the "Company Secretary"), reports to the Chairman. The details of his biographical are set out in the section headed "Directors and Senior Management" of this annual report. Mr. Sin has been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2022.

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Company Secretary	**Read materials**	**Attended Seminars/ Briefings**	**Read materials**	**Attended Seminars/ Briefings**
Mr. Sin Ka Man	✓	✓	✓	✓

BOARD COMMITTEES

As an integral part of good corporate governance practice, the Board established the following Board committees to oversee particular aspects of the Group's affairs. Each of these Board committees comprises mostly of independent non-executive Directors who have been invited to serve as members. These committees are governed by the respective written terms of reference approved by the Board.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period for the year ended 31 December 2022, the Audit Committee comprises three members, all of them are independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. Hu Lie Ge and Mr. Sun Xiao Nian. Mr. Chu Kin Wang, Peleus is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with the external auditor regarding the nature and scope of the audit and reporting obligations before the audit commences; to develop and implement policy on engaging an external auditor to supply non-audit services, identifying and making recommendations on any matters where action or improvement is needed; to monitor integrity of the Company's financial statements, accounts, interim report and annual report; and to review significant financial reporting judgements contained therein.

During the year ended 31 December 2022, the Audit Committee held four meetings and the members reviewed the interim and annual results and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices having been adopted by the Group; assisted the Board in meeting its responsibilities for maintaining an effective system of internal control; and reviewed the internal audit ("IA") plan and the report from the IA function of the Group to ensure its effectiveness.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period for the year ended 31 December 2022, the Remuneration Committee comprises three members, namely Mr. Hu Lie Ge, Mr. Chu Kin Wang, Peleus and Mr. Fu Jie Pin. Mr. Hu Lie Ge, an independent non-executive Director, is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors' and members of the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendations to the Board on the remuneration packages of executive Directors and members of the senior management including benefits in kind, pension rights and compensation payments; to make recommendations to the Board on the remuneration of non-executive Directors; to take into account the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; to review and approve compensation payable to executive Directors and members of the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; to ensure that no Director or any of his associates is involved in deciding his own remuneration; and to review the terms and design, and oversee the implementation and administration, of all share incentive plans and performance related pay schemes or arrangements, and make recommendations to the Board as appropriate. The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence. The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, while the aggregate amount for all executive Directors shall not exceed 10% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee. No equity-based remuneration with performance-related elements was granted to the independent non-executive Directors. The Remuneration Committee, with delegated responsibility from the Board, has held three meeting to review and approve the remuneration packages of the Directors and the members of the senior management of the Group for the year ended 31 December 2022.

NOMINATION COMMITTEE

The Nomination Committee was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period for the year ended 31 December 2022, the Nomination Committee comprises three members, namely Mr. Sun Xiao Nian, Mr. Hu Lie Ge and Mr. Fu Jie Pin. Mr. Sun Xiao Nian, an independent non-executive Director, is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer. The Nomination Committee is also responsible for reviewing the Board Diversity Policy annually to ensure the continued effectiveness of the Board. It will also give consideration to the Board Diversity Policy when identifying suitable qualified candidates to become members of the Board.

The Group considered the diversity of Board can be achieved through the consideration of a number of aspects during the selection process of potential Directors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge (collectively, the "Aspects"). The appointment of all Directors will be based on meritocracy, and the suitability of candidates will be evaluated against objective criteria, having due regard for the benefits of Board diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the Aspects. The ultimate decision will be made after assessing the merits and contributions that the candidates will potentially bring to the Board.

The Nomination Committee has held three meeting for the year ended 31 December 2022 to nominate the members of Board for retirement and re-election at the forthcoming annual general meeting and to review the structure, size and composition of the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of persons
HK$Nil – HK$1,000,000	2
HK$2,500,001 – HK$3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 and 9 to the financial statements, respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group. However, the above statement should be read in conjunction with, but distinguished from, the independent auditors' report in the section headed "Independent Auditor's Report" which acknowledges the reporting responsibilities of the Group's auditors.

AUDITORS' REMUNERATION

For the year ended 31 December 2022, the remuneration paid or payable to the Group's auditors, KPMG, in respect of the services provided are as follows:

	RMB'000
Annual audit and interim review services	3,042
Other professional services	276
Total	3,318

Note: Other services include professional services such as review of the internal control system of the Group, and professional advisory of the Environmental, Social and Governance Report of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis.

The risk management and internal control systems of the Group are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The Group's risk management and internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The senior management of the Company reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures taken to address such variances and identified risks. The Company has established policies and procedures applicable to all operating units to ensure the effectiveness of risk management and internal controls systems. The Company also has a process for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objective.

The day-to-day operations are entrusted to individual departments, which are accountable for their own conducts and performance, and are required to strictly adhere to the policies set by the Board. The Company carries out reviews of the effectiveness of the risk management and internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever-changing business environment.

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company are promptly assessed and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of the accounting, internal audit and financial reporting staff, those relating to the Company's ESG performance and reporting and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the CG Code regarding risk management and internal control systems in general for the year ended 31 December 2022.

INTERNAL AUDIT

The IA function of the Group consists of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the IA plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via the Audit Committee afterwards.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders and the investors of the Company. The Board also recognises effective communication with investors is the key to establish investors' confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website at www.huayu.com.hk. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the various Board committees would attend and answer questions raised at the general meeting of the Company. Separate resolutions would be proposed at the general meeting on each substantially separate issue. The Board considered the Shareholders' communication policy being effective by reviewing the policy during the year ended 31 December 2022.

VOTING BY POLL

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting, and questions from the Shareholders regarding the voting procedures are answered. The results of the voting by poll would be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Pursuant to article 57 of the Articles, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. Further, pursuant to article 58 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal place of meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to call the meeting shall be reimbursed to the requisitionist(s) by the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends. The Board has complete discretion on whether to declare and pay an interim dividend and/or to recommend a final dividend, subject to Shareholders' approval, where applicable.

The Directors will take into consideration, among other things, the financial results, operations, liquidity and capital requirements of the Group, general business conditions and strategies, future business plans of the Group and legal restrictions when determining whether or not to recommend and declare dividends. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Any Shareholder who wishes to put forward proposals at general meetings of the Company shall submit the relevant proposal to the Board in writing for the Board's consideration not less than seven (7) days prior to the date of a general meeting through the Company Secretary whose contact details are set out in the paragraph "Procedures for directing Shareholders' enquiries to the Board" below.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Huayu Expressway Group Limited
Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong
Email: kenneth.sin@huayu.com.hk
Tel No.: +852 2559 1210
Fax No.: +852 2559 1026

The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to respond to such enquires.

CONSTITUTIONAL DOCUMENTS

In order to keep up with the latest legal and regulatory requirements, including the amendments made to the Listing Rules which took effect on 1 January 2022 and to provide flexibility to the Company in relation to the conduct of general meetings in the light of the technological developments, a special resolution in relation to approving the proposed amendments to the then memorandum and articles of association of the Company and the adoption of the new memorandum and articles of association of the Company has been duly passed by way of poll by the Shareholders at the extraordinary general meeting of the Company on 9 June 2022.

Details of the proposed amendments were set out in the circular of the Company dated 18 May 2022. The latest memorandum and articles of association of the Company is available on both the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

ABOUT THIS REPORT

OVERVIEW

This is the Environmental, Social and Governance ("ESG") report of the Group for the year ended 31 December 2022.

ABOUT OUR BUSINESS

The Group is principally engaged in the construction, operation and management of expressways in the PRC, which is a dual three-lane expressway with a length of approximately 24.08 km. The Group currently manages two expressways, namely Sui-Yue Expressway (Hunan Section) and Qing Ping Expressway. The Group is also engaged in the trading of liquor and spirits in collaboration with the Kweichow Moutai Group and is the sole distributor of the Huamaojiu (a famous brand liquor produced by Kweichow Moutai Group).

SCOPE OF THIS REPORT

This report covers the Group's expressway operation and liquor and spirits trading business in PRC. Unless otherwise stated, the reported ESG data covers the Group's expressway operation (including the expressway, office and dormitories) in Hubei and Shenzhen, and the liquor and spirits trading offices in Shenzhen.

REPORTING REFERENCE

This ESG report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as set out in Appendix 27 to the Listing Rules. An "HKEX ESG Content Index" mapping the disclosures in this report is provided in Appendix I of this report.

In the preparation of this ESG report, the Group follows the four reporting principles as set out in the ESG Reporting Guide:

Reporting principles	**Materiality**	**Quantitative**	**Balance**	**Consistency**
Application in this ESG report	Material ESG issues were identified through the facilitation of a third-party consultant and are disclose in this ESG report.	The Group discloses ESG related KPIs in quantitative terms to allow proper evaluation and validation of the effectiveness of ESG policies and actions.	This ESG report aims to provide stakeholders with a balanced overview of the Group's ESG performance.	The Group adopts consistent methodologies for meaningful comparisons of ESG data overtime.

ENDORSEMENT AND APPROVAL

This ESG report has been reviewed and approved by the Board of Directors.

OUR APPROACH TO ESG

ESG GOVERNANCE AND RISK MANAGEMENT

The Board acknowledges its responsibilities to ensure that sound and effective internal control systems are maintained to safeguard the Group's assets and the interest of the Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for overseeing, reviewing, and maintaining the adequate risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

ESG governance is embedded in our daily corporate operation and management. We adopt a top-down approach to review and manage ESG-related issues including the Group's strategic objectives and performance. Key functional departments work closely to gather quantitative and qualitative information for the preparation of the ESG report and report ESG related matters to the Board to ensure they are aligned with our development goals and targets.

For details regarding corporate governance discussions, please refer to the section headed "Corporate Governance Report" to this annual report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

We believe that the approach of stakeholder engagement is integral to the sustainable development of the Group. We stay connected with our stakeholders through an array of communication channels, which helps us to collect the views of different stakeholders and identify the most important material ESG issues.

We also validate from time to time the material ESG issues with our internal stakeholders including senior management such as key departmental heads, who possess not only hands-on knowledge of our operations but also understand well of our key investors and business partners.

Previously through the facilitation of a third-party consultant, we collected our management's views through engagement surveys and interviews and identified the below material ESG issues, which we consider to be still applicable to the Group's operations. We also report our sustainability approach, performance, and initiatives to address the identified material ESG issues.

	Aspects	Relevance to business
Social	Health and safety	Occupational health and safety are crucial to our toll road operation, and we are committed to the prevention of workplace injuries and occupational disease.
	Anti-corruption	Integrity is a core value of the Group and must always be upheld by all our staff to avoid any incidents of bribery and corruption.
Environmental	Use of electricity	The major sources of our electricity consumption are the lighting needs at our toll stations and the daily operation of our dormitory and office.
	Use of water	The major source our water consumption is the staff consumptions at our office and dormitory.

ENVIRONMENT

EMISSIONS

Due to the nature of our business operations, the Group does not produce significant direct environmental emissions. Instead, most of the air emissions are from the vehicles using our expressway, which we have limited control over. In that case, we still have a series of initiatives to reduce the emissions from our offices and staff dormitory. Also, in managing road users' emissions and our own emissions, we strive to mitigate the environmental impacts and strictly comply with the relevant laws and regulations.

Toll road operation

For toll road operations in China, the major source of air emissions is the vehicles using the expressway and the emissions from our own activities are rather insignificant compared to the vast number of vehicles passing through the expressway. While we have limited control over the emissions of the road users, we strictly follow government instructions in refraining from vehicles with substandard emission performance. Within our control, we arrange regular inspection to avoid any traffic accidents caused by the road quality issue and strive to ensure smooth traffic by swiftly responding to all the traffic accidents to minimise congestion and the subsequent on-road emissions.

Another major emission from our toll road operation is the noise produced by the traffic flow. To mitigate the noise impact on sensitive receivers such as schools and residential buildings developed along the road, noise barriers were installed at sections of the expressway.

In winter, we use deicing salt to maintain a safe road conditions for drivers under snow and icy weather. To reduce the impact on the surrounding environment, we have been using an environmentally friendly deicing salt to minimise the impact of washing out from these salt residuals, impacting the quality of the environment within the vicinity of the road.

Offices and staff dormitory

In the office and staff dormitory of our toll road operations, the major types of emissions and waste are domestic wastewater, general waste, and an insignificant amount of hazardous waste. This is the same for our liquor and spirits trading office, where we engage only in office activities and outsource the logistics and warehousing activities to third-party service providers.

We adopt the "3R" principles of "Reduce, Reuse and Recycle" in managing the general waste at our offices and dormitory. General wastes are centrally collected and handled by the local sanitation department so that the waste could be disposed of properly. Non-confidential documents, books, cartons, and plastic bottles and food waste would be separated from the wastes for recycling. There is also a minimal hazardous wastes generated in our operations, which are mainly used batteries, ink cartridges, and waste oils. We appoint qualified third parties to collect and dispose of such hazardous wastes in compliance with relevant local laws and regulations. As for some of the empty cartridges, we would reuse them by adding toner.

To reduce our domestic wastewater discharge, our expressway office in Hubei has an in-house wastewater treatment plant in place to treat the wastewater generated at our facilities, and the treated water is reused for greening and fish keeping.

Greenhouse gas emissions

The greenhouse emissions of the Group mainly come from the use of fuels and purchased electricity. Our major fuel consumption includes the diesel and gasoline used for our vehicles, and the liquefied petroleum gas ("LPG") and natural gas used at our canteens. While greenhouse gas emissions are not considered material to our operations, we still seek to reduce our carbon emissions by different energy conservation measures described in the section below headed "Use of Resources" in this ESG report.

Summary of environmental emissions in 2022

The details of our environmental emissions in 2022 are as follows:

	Unit	2021	**2022**
General wastes	tonnes	2.1	**71**[1]
Greenhouse gas emission (Scope 1)[2]	tonnes CO_2e	369	**346**
Greenhouse gas emission (Scope 2)[2]	tonnes CO_2e	1,695	**2,672**[3]

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions.

USE OF RESOURCES

Toll road operation

The major energy consumption in our toll road operations is at the toll stations. To save energy, we are using LEDs for all our high-mast lighting, which are more energy-efficient compared to conventional lightings. We are also gradually phasing out and replacing old vehicles with more fuel-efficient vehicles.

1 *The increase was due to the expansion in data scope to include the expressway operations, relevant data of which was not available in 2021.*

2 *Emission factors are referenced from "How to prepare an ESG report – Appendix 2: Reporting. Guidance on Environmental KPIs" issued by the Stock Exchange.*

3 *Due to the opening of a new toll plaza at Qing Ping Expressway and pandemic control stations at the Sui Yue Expressway, there was a significant increase in electricity consumption and subsequently Scope 2 emissions increased as well.*

Office and staff's dormitory

Due to the nature of our business operations, we mainly conduct our business in the office environment and have generated a less significant environmental footprint. We use energy and water to support our daily operations and the basic living needs of employees living at the dormitories. Energy consumption includes electricity, LPG and natural gas used at our canteen, and the diesel and gasoline used by our vehicles.

The Group keeps abreast of energy saving as part of effort to lower the environmental impact. We have adopted various green practices and encouraged our employees to conserve energy and water saving in the office and dormitory. Initiatives carried out during the year included:

– Turning off idle lights and electronic equipment to reduce energy consumption;

– Duplex printing and reuse of single-sided paper for printing and copying;

– Encouraging electronic communication to reduce paper consumption;

– Gradually installing energy-saving switches such as water-saving generators;

– Setting up recycling bins in the office to collect general waste for recycling;

– Use of solar water heating at our dormitory; and

– Replacement of kitchen equipment with more energy efficiency models at our canteens.

Summary of resources consumption in 2022

The details of our resource consumption in 2022 are as follows:

	Unit	2021	**2022**
Total energy consumption[4]	kWh	4,438,682	**6,111,348**[5]
– Electricity	kWh	2,917,577	**4,685,039**[5]
– Gasoline	litre	58,158	**61,991**
– Diesel	litre	46,532	**44,819**
– LPG	kg	36,000	**26,808**[6]
– Natural gas	m^3	–	**369**
Water	m^3	61,720	**81,821**

4 Energy conversion factors are referenced from the United Kingdom Department for Environment, Food & Rural Affairs (DEFRA) conversion factors 2021.

5 Due to the opening of a new toll plaza at Qing Ping Expressway and pandemic control stations at the Sui Yue Expressway, there was a significant increase in electricity consumption and subsequently total energy consumption increased as well.

6 The stoves at our canteen were replaced with more energy efficient models and hence resulted in a reduction in LPG consumption.

THE ENVIRONMENT AND NATURAL RESOURCES

The significant environmental issues faced in our business regarding emissions and the use of resources are already disclosed in the above sections.

CLIMATE CHANGE

The Group recognises the impact of climate change, and it is crucial for us to respond to the climate change risks that may impact our business operations. Particularly, our toll road operations are exposed to both physical and transition risks of climate change. For example, physical risks in the form of acute events such as severe flooding may damage our facilities, and failure to keep up with the transition to a low-carbon operation may negatively impact the Group's business cost and may even adversely impact our reputation. The extreme weather would also have bad impacts on our business of liquor and spirits trading, for example, it may damage the inventory in the third-party warehouse.

In response to the associated risks posed by climate change, we have adopted various practices to mitigate climate change issues in our business operation. Example of such practices are as follows:

- Formulated emergency and implementation plan for flood control to reduce and prevent the detrimental effects of floodwaters on our operations;

- Established emergency and implementation plan for anti-icing and snow removal to keep the expressway clear and prevent slick driving conditions; and

- Replaced existing lighting and company vehicles which are more energy efficient, hence reducing our carbon emission.

SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group keeps the principle of people-oriented in mind and has established a series of rules and regulations in employment to protect the legitimate rights and interests of our employees. We strictly comply with the laws and regulations such as the "Labour Law of the PRC", "Labour Contract Law of the PRC" and "Social Insurance Law of the PRC" in the employment and management of talents. We strive to create a corporate culture that fosters mutual trust, respect, and teamwork and provides employees with a rewarding and pleasant working environment.

For employees' remuneration, recruitment and dismissal, we strictly abide by local labour laws such as the Employment Ordinance and the Labour Contract Law of the PRC. We have formulated different policies to govern employee recruitment, dismissal, appraisal, remuneration and other benefits in different business units. During the year, our liquor and spirits trading business has formulated a salary and performance appraisal management policy, and eligible employees are entitled to the competitive compensation packages for their contributions to the business's growth.

We communicate with new joiners about all relevant policies and guidance documents to provide them with a better understanding of the Group's human resources management system and make sure they are well-informed about their rights and responsibilities.

We ensure the welfare of our employees by encouraging a healthy work-life balance. To foster a healthy living and working environment, the Group regularly organises team-building activities such as mountain climbing, swimming, and driving tours and co-organises recreational activities like badminton competitions with the labour union. We also provide recreational facilities like a basketball court and snooker tables for employees' enjoyment in their free time at the dormitory. We strive to maintain the physical and mental health of our staff and their work-life balance.

Labour practices

The Group abides by relevant labour laws and regulation to strictly prohibits the forced and child labour employment. During the recruitment process, applicants' identification documents are verified to prevent the hiring of underage labour. We also respect the freedom of expression of our staff and encourage them to discuss any concerns they have with their supervisors or the labour union. To encourage employees to report misconduct, we have also put up a "General Manager mailbox" in the office where staff can voice their concerns to higher-level management.

Staff composition

As of 31 December 2022, the Group has a total of 451 full-time employees and one part-time employee. The breakdown of employees by gender and age group is as follows:

Category		Number of staff	Turnover rate
Total		451	17.3%
By gender	Male	215	17.2%
	Female	236	17.4%
By age group	Below 30	219	30.1%
	30-50	206	4.9%
	Above 50	26	7.7%

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to employment and the employment child or forced labour.

HEALTH AND SAFETY

The Group places high importance on the health and safety of our employees. We are committed to providing good working conditions and a safe working environment for our employees to avoid occupational hazards. We have developed a detailed instruction manual on road maintenance with the aim of enabling our employees to learn to handle their work with peace of mind while protecting themselves. We strictly abide to relevant health and safety regulations such as the provisions of the "Production Safety Law of the PRC" and the "Law of the PRC on the Prevention and Control of Occupational Diseases".

As an expressway operator, majority of the safety risks happen in our expressway operations, where employees work on roads full of moving vehicles. To ensure the safety of our employees and road users, we have formulated the "Safe Production Management Policy", "Guidelines for Safety Prevention and Rescue at the Accident Site", "Staff Safety Manual" and established a dedicated committee led by management in overseeing the health and safety of our employees and in our operations.

To promote health and safety awareness among our staff, we provide different safety training to employees depending on their roles to minimise the risks of hidden occupational hazards. All new employees must receive a "Three Degree Safety Education" safety training before performing their duties, and special positions like drivers, electricians, security personnel and cooks shall receive professional training tailored to their duties. We also provide personal protection equipment such as reflective vests to employees and provide free biannual body check and medical insurance for timely diagnosis and treatment of occupational health issues.

In addition, we also invited external lecturers to give talk on fire protection to our employees and organised different theme activities such as "Safety Production Month" and "Fire Safety Month" to post up safety related banners and videos to promote the sense of occupational health and safety.

To minimise safety risks in our operations, we perform regular and ad-hoc safety inspections. The safety inspection concerns issues include potential safety hazards, the proper implementation of safety precaution procedures and the equipment conditions etc. For any potential safety issue identified, we formulate corrective measures and designate the employee responsible for the matter to ensure that preventive actions are timely implemented. We also carry out safety production meetings on a quarterly basis to analyse and resolve any identified hidden occupational hazards in our operations.

Occupational Health and Safety Statistics in 2022

Work-related fatality from 2019 to 2022:	0
Work-related injuries in 2022:	2
Lost days due to work-related injuries in 2022:	125

Protecting our employees from COVID-19

In 2022, we continued to adopt various measures to protect our employees and prevent the spreading of the disease in our workplace. We closely monitor the epidemic situation and reserve of epidemic prevention supplies. When there were small scale outbreaks observed, we also closely monitor the outing trips of employees and regularly issue epidemic prevention notices to ensure a safe working environment.

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding occupational health and safety.

DEVELOPMENT AND TRAINING

We believe that talents are the foundation of our sustainable development and that a well-trained team is a key to improving the overall performance of the Group. Therefore, we have established separate employee training policies tailored for the different business operations to encourage our employees to develop and advance their careers in the Group.

For our expressway operations, we provide various training to our employees, including topics like etiquette, business-related processes, management skills, and professional skills for our employees to attend voluntarily. To help new joiners settle in, we provide them with training on our corporate culture, rules and regulations, and the business process of their position.

Besides internal training, we also encourage our expressway employees to attend external training to strengthen their job performance. Upon successful application, employees may receive rebates for their training costs. We encourage our staff to upgrade their qualifications and subsidise rewards for those who refine themselves. Depending on the length of service, the maximum rebate amount ranges from RMB2,000 to RMB50,000.

For employees in the liquor trading business, we have established a dedicated "Employee Training Management System" to provide guidance to the training process. Under the system, the Human Resources Department of the liquor trading segment formulates training plans based on the input of different departments. In the third quarter of 2022, we organised the updating and development of internal training courseware for job training, induction training, professional skills training and internal management to ensure that employees have access to the most up-to-date and applicable skills.

Training statistics for 2022

Category		Percentage of employee receiving training	Average training hours
By gender	Male	88.8%	18.6
	Female	93.6%	19.9
By employment category	Management	83.1%	15.0
	Non-management	93.2%	20.2

SUPPLY CHAIN MANAGEMENT

Expressway operation

The Group understands that supply chain management is an integral part of corporate social responsibility and attaches great importance to the potential risks in the supply chain. We have established a "Procurement Management Policy" to guide the procurement of products and services of the Group. The policy clearly lists the procedures from budgeting to the management and assessment of suppliers. In general, we evaluate our suppliers' capability, price, quality, qualification, and ESG performance. For large-scale procurement practice, the Group adopts a comprehensive set of tendering and is required to enlist at least three qualified suppliers for comparison before making orders.

To maintain the quality of our suppliers, we assess the performance of our suppliers either annually or at the end of their contracts, and only those suppliers who comply with our requirements are qualified to continue the business relationship with the Group.

We also care about the ESG factors in our procurement. We prioritise green products where practicable and consider suppliers' environmental and social impacts when procuring from them. For example, we purchased an environmentally friendly deicing salt from our supplier.

Liquor and spirits trading

As a sole distributor of the Huamaojiu, we rely on our upstream suppliers to support our operations, particularly in providing liquor and packaging materials. The liquor products are sent directly from our upstream suppliers to downstream distributors for further distribution and retail. We are committed to working with suppliers who have a proven track record in sustainability. We have established the "Supply Department Standardised Management Manual" to guide our collaboration with upstream suppliers and the "Market Management Manual" for our collaboration with downstream distributors.

The "Supply Department Standardised Management Manual" defines the roles and responsibility of the Supply Department and provides guidance on the whole procurement process. All new suppliers need to undergo a comprehensive assessment to ensure they comply with relevant national standards, regulations, and our requirements before the collaboration. Approved suppliers will be included in our list of qualified suppliers, regular monitoring is carried out to evaluate our suppliers performance, and suppliers with unsatisfactory performance will be disqualified.

For downstream distributors and sales channels, our collaboration with them is managed by the "Market Management Manual". Distributors and sales channels are prohibited from selling Huamaojiu in places not specified in our contract with them and shall price the products as per our mutual agreement. Based on the number of violations, distributors may be subject to disciplinary actions such as repurchase of product at distributors' cost, deduction of deposit and annual rebates, or even cancellation of their distributors' status. We are committed to working with distributors who have a proven track record in sustainability.

As at the end of 2022, the Group has a total of 28 suppliers in the PRC.

PRODUCT RESPONSIBILITY

Based on the nature of our business, the Group's focus is on responsible marketing, service and maintenance. We strive to deliver the best quality products and services to our valued customers. For liquor trading, since we are the distributor of Maotai Group's Huamaojiu, we are not involved in the manufacturing or retail process. We mainly follow the strict requirements of the Maotai Group on product quality and recall procedures. For expressway operation where we have more control, we aim to provide high-quality road services with the below two goals in mind:

- Maintaining a safe and efficient expressway; and
- Maintaining high service quality.

Maintaining a safe and efficient expressway

The Group is aware of the responsibility of our business and therefore takes the utmost care in the maintenance of our roads to ensure that they are as safe as possible. Our road construction department handles the overall management of the expressway, following the relevant road safety laws and regulations. The department is also responsible for other daily operations, including hardware maintenance, emergency planning, and coordination with government departments on special road arrangements.

We regularly conduct routine inspections of the expressway to ensure road safety. Through our frequent inspections, we are able to notice any structural damage to the road and its hardware promptly, for example, cracks on the road surface and worn-out road surface markings, and immediately repair the damages with the help of our outsourced maintenance team. At the same time, we strictly require employees involved in road maintenance by formulating a series of guidance documents for road maintenance and repair, aiming to provide solid safety guarantees for our customers.

We have also established an emergency management mechanism for the expressway that covers emergency and contingency responses to various situations, including peak hours on festivals and holidays, road accidents, construction, and extreme weather conditions. Collaborating with the local government and service area operators, we also perform an emergency drill at least once a year to ensure a rapid and appropriate response to emergencies. We hope to constantly improve our services to be faster, better and more appropriate to ensure the quality of road use.

Maintaining high service quality

In terms of service quality, we have carried out various initiatives to ensure a high service quality at our toll stations. First, we require all new toll collectors to attend a one-week training on interacting with road users politely. For existing employees, we provide similar training on their etiquette as a toll collector every two years. To incentivise our staff, road user surveys are conducted to monitor the performance of toll collectors. The low performers will be required to attend additional training, and the high performers will be rewarded with monetary prize.

We also put great effort into improving the efficiency of the toll collection process. Besides providing training on the toll collection process to our employees, we also look for innovative means to speed up the payment process. Currently, e-payment options like WeChat Pay and Alipay are available at our toll stations to offer road users faster and more convenient payment methods.

Intellectual property protection & customer privacy

The Group strictly complies with the relevant intellectual property laws in which it operates to safeguard intellectual properties. For our liquor and spirits trading business, we strictly follow the legitimate intellectual property application procedures formulated by the Kweichow Moutai Group on designs, labels, and trademarks of the liquor products. We legally signed contracts for the use of fonts with suppliers for commercial purposes to protect intellectual property. In addition, we only use software with legal licenses in our daily operations.

We attach high importance to our customer information privacy and strictly comply with relevant national laws and regulations, including the Personal Information Protection Law in China. Only authorised staff can access to customer information, and sensitive customer information should not be taken out of the office.

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding product responsibility.

ANTI-CORRUPTION

The Group aims to establish and maintain high standards of openness, integrity and accountability throughout our operations. We attached great importance to anti-corruption and in strict accordance with jurisdiction laws such as the Prevention of Bribery Ordinance and the Criminal Law of the PRC.

All our employees are made aware of our zero-tolerance regarding bribery, extortion, fraud, or money laundering, whether in dealing with public officials or individuals in the private sector. The "Staff Conflict of Interest Management Policy" sets out the professional and ethical standards for our employees to observe in business dealings. Any staff of the Group is not allowed to demand or accept a bribe, including money, gifts, rewards, services, or privileges, in connection with their duties. We have formulated a strict punitive measure, and the corresponding punishment shall be given according to the severity of the conflict of interest. In addition, anti-corruption training is provided to management and general staff to raise staff awareness regarding anti-corruption topics and build a culture of integrity.

In our liquor and spirits training business, we have an "Expense Management Regulation" to govern expense claims and encourage employees to report any misconduct in handling marketing expenses to the General Manager, and validated reports will be awarded 5-10 marks in the monthly performance appraisal. At the same time, we emphasised commercial anti-corruption matters in internal meetings, requiring suppliers to be reminded not to offer the commercial bribe when signing the contract. As for our expressway operation, to better monitor the toll collection process and prevent any dishonest act of collecting extra money, we have installed surveillance cameras at our tollhouses.

Anti-corruption training statistics for 2022

Category		Percentage of employee receiving training	Average training hours
By employment category	Management	57.8%	1.0
	Non-management	37.9%	0.7

Regulatory compliance

During the reporting period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees, and we were not aware of any material non-compliance with laws and regulations regarding anti-corruption.

COMMUNITY INVESTMENT

As the Group grows steadily, it is always mindful of our corporate social responsibility and is committed to contributing to society. We take pride in providing safe, time-saving, economical, and comfortable expressway transportation services to road users in need. Through the operation and maintenance of the expressway, we open up the connections between the local residences to other parts of the country, creating substantial positive influences on regional economic development.

We actively support people in need. During the COVID-19 pandemic in 2022, our liquor and spirits training business has donated supplies to the local sub-district to help with the crisis.

APPENDIX I: HKEX ESG CONTENT INDEX

	Aspects	Pages	Remarks
A	**Environmental**		
A1	**Emissions** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	p.26 – 27	
A1.1	The types of emissions and respective emission data.	p.26 – 27	Data is not tracked as majority of the air emissions are from road users and the Group itself does not generate a significant amount of air emissions.
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	p.26 – 27	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	p.26 – 27	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	p.26 – 27	
A1.5	Description of emission target(s) set and steps taken to achieve them.	p.26 – 27	We did not have a quantitative emission target and will consider setting one in the future.
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	p.26 – 27	We do not consider wastes to be a material issue, and have not set a target for waste reduction.

	Aspects	Pages	Remarks
A2	**Use of Resources** Policies on the efficient use of resources, including energy, water, and other raw materials.	p.27 – 28	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	p.27 – 28	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	p.27 – 28	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	p.27 – 28	We are reviewing our operations and environmental performance in considering target setting on energy consumption.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	p.27 – 28	The Group uses municipal water and does not anticipate any issue in the sourcing water that is fit for purpose. We are reviewing our operations and environmental performance in considering target setting on water consumption.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	The Group does not use packaging materials in its toll road operations, and the use of packaging material in the liquor products is not controlled by the Group.
A3	**The Environment and Natural Resources** Policies on minimising the issuer’s significant impact on the environmental and natural resources.	p.29	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	p.29	
A4	**Climate Change** Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	p.29	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	p.29	

	Aspects	Pages	Remarks
B	**Social**		
Employment and Labour Practices			
B1	**Employment** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	p.29 – 30	
B1.1	Total workforce by gender, employment type, age group and geographical region.	p.29 – 30	
B1.2	Employee turnover rate by gender, age group, and geographical region.	p.29 – 30	
B2	**Health and Safety** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	p.31 – 32	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	p.31 – 32	
B2.2	Lost days due to work injury.	p.31 – 32	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	p.31 – 32	

	Aspects	Pages	Remarks
B3	**Development and Training**	p.32	
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	p.32	
B3.2	The average training hours completed per employee by gender and employee category.	p.32	
B4	**Labour Standard**	p.29 – 30	
	(a) the policies; and		
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
B4.1	Description of measures to review employment practices to avoid child and forced labour.	p.29 – 30	
B4.2	Description of steps taken to eliminate such practices when discovered.	p.29 – 30	
Operating Practices			
B5	**Supply Chain Management**	p.33	
	Policies on managing environmental and social risks of the supply chain.		
B5.1	Number of suppliers by geographical region.	p.33	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	p.33	

	Aspects	Pages	Remarks
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	p.33	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	p.33	
B6	**Product Responsibility** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	p.34 – 35	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	Not appliable to the Group's expressway business. For our liquor trading business, any product recall will be handled by the producer directly and we do not have relevant data.
B6.2	Number of products and service-related complaints received and how they are dealt with.	N/A	The Group is currently assessing the feasibility of collecting and disclosing such information.
B6.3	Description of practices relating to observing and protecting intellectual property rights.	p.34 – 35	
B6.4	Description of quality assurance process and recall procedures.	N/A	Not appliable to the Group's expressway business. For our liquor trading business, the producer has its own quality assurance process and handles directly the product recall if any.

	Aspects	Pages	Remarks
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	p.34 – 35	
B7	**Anti-corruption** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	p.35 – 36	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	p.35 – 36	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	p.35 – 36	
B7.3	Description of anti-corruption training provided to directors and staff.	p.35 – 36	
Community			
B8	**Community Investment** Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	p.36	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	p.36	
B8.2	Resources contributed (e.g. money or time) to the focus area.	p.36	

As at the date of this annual report, the Board consisted of six Directors, including three executive Directors and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam（陳陽南）, aged 67, is an executive Director and the Chairman of the Board. Mr. Chan is the founder of the Group and was appointed as an executive Director in April 2009. He is responsible for the overall management, development and planning of the Group. He is also responsible for assessing and analysing investment opportunities involving other infrastructure projects when they arise. Mr. Chan graduated from Sun Yat-Sen University. He has more than 25 years of experience in the development, operation and management of highways.

Mr. Fu Jie Pin（符捷頻）, aged 55, is an executive Director and the Chief Executive Officer. He joined the Company as an executive Director in May 2009. Mr. Fu is responsible for project investment analysis, commercial negotiation and coordination and investment capital operation. Mr. Fu graduated from Sun Yat-Sen University with a bachelor degree in electronics and information system in 1989. He has over 24 years of experience in development, operation and management of highways in the PRC.

Ms. Liu Bao Hua（劉寶華）, aged 47, is an executive Director. She joined the Company in April 2022. She is responsible for the negotiation and communication with the relevant government bodies in the PRC. She graduated from the Open University of Shaanxi*（陝西開放大學）with a bachelor's degree in computers and financial management in July 1997. She also obtained a master degree of business administration from the City University of Hong Kong in October 2018. Ms. Liu has over 20 years of experience in finance and project management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Xiao Nian（孫小年）, aged 58, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in automobiles and transport from Jilin University of Technology*（吉林工業大學）, currently part of the Jilin University*（吉林大學）. He then further obtained his doctor degree in transportation planning and management from Tongji University*（同濟大學）. He is a senior engineer of professor's level accredited by the Personnel Bureau of Guangdong Province*（廣東省人事廳）in 2003 and a registered consultant engineer accredited by the Ministry of Personnel of the PRC*（中華人民共和國人事部）. He is now the vice chief engineer and the head of technical consultation centre of China Academy of Transportation Sciences*（交通部科學研究院）.

Mr. Chu Kin Wang, Peleus（朱健宏）aged 58, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in business administration from University of Hong Kong. Mr. Chu is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Mr. Chu is a director of Tianli Holdings Group Limited (formerly named as EYANG Holdings (Group) Co., Limited), Mingfa Group (International) Company Limited and China First Capital Group Limited, all of which are companies listed on the Main Board of the Stock Exchange. He is also a director of Madison Holdings Group Limited and Hyfusin Group Holdings Limited, all of which are companies listed on GEM of the Stock Exchange.

Directors and Senior Management

Mr. Hu Lie Ge（胡列格）aged 69, joined the Company as an independent non-executive Director in May 2009. He graduated from Changsha Communications Institute*（長沙交通學院）in Mathematical Mechanics and completed a graduate course in Probability Theory and Mathematics Statistics at Changsha Railway University*（長沙鐵道學院）, currently part of Central South University*（中南大學）. Mr. Hu was previously the Head of College of Transportation and Communications*（交通運輸學院）in Changsha University of Science and Technology*（長沙理工大學）and is now a member of Hunan Province Committee of Facilitation of the Development of the Logistics Industry*（湖南省促進物流業發展專家委員會）.

COMPANY SECRETARY

Mr. Sin Ka Man（冼家敏）aged 55, was appointed as the Company Secretary on 3 July 2009. Mr. Sin has over 30 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He became an associate member of The Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) in January 1996, a fellow member of the Association of Chartered Certified Accountants in July 1997 and a certified practising accountant of the CPA Australia in December 2000. Mr. Sin obtained a bachelor degree in Social Sciences from University of Hong Kong in December 1989, a master degree in Finance from University of Strathclyde, the United Kingdom in November 1993 and a master degree in Accounting from Curtin University of Technology, Australia in June 1998.

* *The English translation is for reference only. The official name of the university, college, institution or organisation is in Chinese.*

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

BUSINESS REVIEW

GENERAL

For the review of the business of the Group, please refer to the section headed "Management Discussion and Analysis" on pages 5 to 12 of this annual report. This discussion forms part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risks outlined below. Further, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Changes to the provincial government's transportation-related policies

The Group's operations are sensitive to changes in the PRC Government's policies relating to all aspects of the transportation sector, for example, changes to transportation networks, traffic regulation, licensing and toll regime, etc. Such changes may have an adverse effect on the revenue or results of operations of the Group. The Directors will monitor the applicable and relevant government policies closely and will take immediate and appropriate actions in response to any changes in the policies with a view to minimize its impact on the infrastructure projects and the Group.

Revenue is heavily dependent on traffic volume and may be affected by competing roads and bridges and other modes of transportation

Revenue to be generated from collection of toll is heavily dependent on traffic volume. Traffic volume is directly and indirectly affected by a number of factors, including the road's connectivity with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network will not adversely affect the traffic volume on the expressways. There is also no assurance that other road or mode of transportation will not be constructed or introduced in future which may prove to be better alternatives to the Group's existing expressway projects. In such case, the Group's business and operating results may be materially and adversely affected.

Notwithstanding the above, the Directors believe that the rising trend of the economic growth in PRC will be sustained in the foreseeable future. With this growth, the Directors expect that the revenue for toll road project will continue to increase in the coming years.

Risks pertaining to the relationship with the major supplier

Most of the Group's liquor and spirits trading business relies on the sole distributorship of Huamaojiu granted by the major supplier, Kweichow Moutai Group. The sole distributorship agreement has been reviewed annually. The failure in negotiation of the agreement may cause a substantial effect to the Group's liquor and spirits trading business. The Directors will monitor the relationship with Kweichow Moutai Group closely to ensure the successful negotiation in the sole distributorship agreement.

Risks pertaining to the distributorship model

The Group's liquor and spirits trading business relies primarily on a number of third-party distributors for sales of the Group's products. Each distributor has exclusive distribution rights over a certain geographical area, the failure by such distributor to perform its obligations under its distributorship agreement with the Group may result in a material adverse effect on the business of the authorised retailers in such area. The Directors will regularly review the performance of each distributor and take appropriate actions to minimize the effect of the failure of performance by the distributors.

Risks pertaining to force majeure events, natural disasters or outbreaks of contagious diseases

The Group's business may be adversely affected by natural disasters or outbreaks of epidemics, which may affect the procurement of raw materials and manufacture, sales and exportation of the Group's products. Epidemics, pandemics or outbreaks or escalation of diseases, including, among others, severe acute respiratory syndromes (SARS), avian influenza, swine flu (H1N1), novel coronavirus (COVID-19) and other diseases, may affect the livelihood of people in the PRC. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the PRC may severely disrupt the Group's business operations by restricting travel and sales activities and delaying delivery of the Group's products and services, affect the productivity of the workforce, or reduce the demand for the Group's products, which may materially and adversely affect business, financial condition and results of operations of the Group.

Past performance and forward looking statements

The performance and the results of operations of the Group as set out in this annual report are historical in nature and past performance is not a guarantee for future performance of the same. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

FINANCIAL RESOURCES

As at 31 December 2022, the total amount of outstanding unsecured bank loans was RMB50.0 million. Details of the maturity profile please refer to the section headed "Management Discussion and Analysis – Liquidity and financial resources" on pages 8 to 9 of this annual report.

POST YEAR END EVENTS

On 2 March 2023, a special interim dividend of HK$0.121 (equivalent to RMB0.106) per share was declared and will be paid on or about 25 April 2023.

Save as disclosed above, since 31 December 2022, being the end of the financial year under review, no important event has occurred which materially affects the Group.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group's business, please refer to "Management Discussion and Analysis" on pages 5 to 12 of this annual report. This discussion forms part of this Report of the Directors.

ENVIRONMENT PROTECTION AND LEGAL COMPLIANCE

The Company is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards applicable to the Group and its business operation from time to time.

During the year ended 31 December 2022 and to the best of the Directors' knowledge, the Group had obtained the required permits and environmental approvals for its business, and had complied with such laws, rules and regulations that have a significant impact on the Group, its business and operations.

Please refer to the section headed "Environmental, Social and Governance Report" to this annual report for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to keep abreast with the requirement of the relevant laws and regulations of various countries, particularly the PRC and Hong Kong, applicable to it to ensure compliance. Majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from business operations in the PRC. During the year under review, the Group complied in all material respects with the relevant laws and regulations in various countries and areas applicable to it.

ACCOUNT OF THE GROUP'S KEY RELATIONSHIPS

Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel has been part of the management team since the inception of business. During the year under review, the Group considered that it has maintained a good relationship with its employees and the employee turnover rate was acceptable.

Building contractors

The Group's building contractors mainly include the contractors for the building and construction of the Sui-Yue Expressway. All these contractors have a close and long term relationship with the Group. During the year under review, the Group considered that it has maintained a good and stable relationship with its building contractors.

Suppliers

The Group's suppliers include the major supplier for Huamaojiu, Kweichow Moutai Group and contract manufacturers for other liquors and spirits products. All these suppliers have a close and long term relationship with the Group's management. During the year under review, the Group considered the relationship with its suppliers was well and stable.

Distributors

The Group adopted the distributorship model for its products in the PRC. Under this model, the Group primarily sells products to distributors in the PRC under distributorship agreements, which are reviewed yearly. Each of the distributors has exclusive distribution right over a certain geographical area in the PRC. The Group maintains very good relationship with all the distributors.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is incorporated and domiciled in the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong at Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 13 to the financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

EXPRESSWAYS

For the year ended 31 December 2022, the Group has no major customer information to disclose as the expressways are open to public. No further disclosure with regard to the Group's suppliers is made since there is normally no major purchase in its ordinary course of business.

LIQUOR AND SPIRITS TRADING BUSINESS

The information in respect of the sales and purchases attributable to the major customers and suppliers of the Group's liquor and spirits trading business respectively for the year ended 31 December 2022 is as follows:

	Percentage of the segment's total	
	Sales	**Purchases**
The largest customer	42%	
Five largest customers in aggregate	68%	
The largest supplier		89%
Five largest suppliers in aggregate		100%

At no time during the year have the Directors, their close associates or any Shareholder (which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2022 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 67 to 152.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2022 are set out in note 24 to the financial statements.

Profit attributable to Shareholders, in the amount of RMB49,028,000 (2021 (restated): RMB86,426,000) has been transferred to the reserves. Other movements in reserves are set out in consolidated statement of changes in equity.

No dividend was declared and paid for the year ended 31 December 2022 (2021 (restated): RMB20,311,000). On 2 March 2023, a special interim dividend of HK$0.121 (equivalent to RMB0.106) per share was declared and will be paid on or about 25 April 2023.

CHARITABLE DONATIONS

No charitable donations were made by the Group during the year ended 31 December 2022.

FIXED ASSETS

Details of the movements in fixed assets during the year ended 31 December 2022 are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2022 are set out in note 24 to the financial statements.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries from the listing date to 31 December 2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam
Mr. Mai Qing Quan (resigned on 1 April 2022)
Mr. Fu Jie Pin
Ms. Liu Bao Hua (appointed on 1 April 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Xiao Nian
Mr. Chu Kin Wang, Peleus
Mr. Hu Lie Ge

In accordance with article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office until the next following general meeting of the Company and shall then be eligible for re-election.

By virtue of articles 84 and 85 of the Articles, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the executive and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years, subject to termination in accordance with the provisions of the service contract or by either party serving the other not less than three months' prior written notice.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Name of Director	Nature of interest	Number of shares (ordinary shares)	Long position in the number of share options	Total	Percentage
Chan Yeung Nam *(Note 1)*	Interest in controlled corporation	300,000,000 (L)	–	300,000,000	72.71%

Note: Mr. Chan Yeung Nam, an executive Director and the Chairman, is deemed to be interested in 300,000,000 shares of the Company (the "Shares") held by Velocity International Limited by virtue of it being controlled by him.

On 12 January 2018, Velocity International Limited had pledged 300,000,000 Shares to TCG Capital Investment Limited (which is wholly owned by Mr. Chan Weng Lin) as security for a term loan facility provided to Velocity International Limited.

Apart from the forgoing, as at 31 December 2022, none of the Directors or chief executive of the Company or any of their spouses or children under 18 years of age had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable any Directors and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short position in the shares or underlying shares in, or debentures of, the Company, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 11 June 2020 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 11 June 2020, being the date on which the resolution passed in the general meeting, i.e. 41,260,800 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 30 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

The total number of shares available for issue under the Share Option Scheme is 41,260,800, representing approximately 10% of the Company's issued share capital as at the date of this annual report.

On 28 December 2021, the Company has granted share options (the "Share Options") to certain eligible participants (the "Grantees") to subscribe for 40,000,000 ordinary shares (the "Shares") of HK$0.01 each of the Company, which represents approximately 9.69% of the Company's issued Share Capital at the date of grant. The exercise price of the Share Options granted was HK$2.89 per share. The closing price per share as at 24 December 2021, being the date immediately before the date the Share Options were granted was HK$2.88. The validity period of the Share Options would be one year from 28 December 2021 to 27 December 2022 (both days inclusive). All the Share Options are vested and exercisable from the date of grant. For the year ended 31 December 2022, no options have been granted by the Company under the Share Options Scheme.

Details of movement of the Share Options granted under the Share Option Scheme to the Directors and employees during the year ended 31 December 2022 were as follows:

				Number of Share Options				
Grantee	Date of grant	Exercise price per share (HK$)	Exercise period	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2022
Directors								
Mr. Fu Jie Pin	28 December 2021	2.89	28 December 2021 to 27 December 2022	4,000,000	–	–	4,000,000	–
Mr. Mai Qing Quan (resigned on 1 April 2022)	28 December 2021	2.89	28 December 2021 to 27 December 2022	3,000,000	–	–	3,000,000	–
Chairman of liquor and spirits trading business group of the Company								
Mr. Ran Chang Xian	28 December 2021	2.89	28 December 2021 to 27 December 2022	4,000,000	–	–	4,000,000	–
Employees								
In aggregate	28 December 2021	2.89	28 December 2021 to 27 December 2022	29,000,000	–	–	29,000,000	–
Total				40,000,000	–	–	40,000,000	–

Apart from the forgoing, at no time during the year was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as it is known to any Director or chief executive of the Company, the persons (other than the Director and the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of Shareholders	Capacity/Nature of Interest	Long position in ordinary shares held	Percentage of total issued Shares
Velocity International Limited *(Note)*	Beneficial owner	300,000,000	72.71%
TCG Capital Investment Limited *(Note)*	Person having security interest in shares	300,000,000	72.71%
Chan Weng Lin *(Note)*	Interest in controlled corporation	300,000,000	72.71%

Note: The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive Director and the Chairman. On 12 January 2018, Velocity International Limited had pledged 300,000,000 Shares to TCG Capital Investment Limited (which is wholly-owned by Mr. Chan Weng Lin) as security for a term loan facility provided to Velocity International Limited.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's entire issued share capital as required under the Listing Rules for the year ended 31 December 2022.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which the Director or an entity connected with such Director had a material interest, directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2022.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2022 are set out in note 21 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the subsidiaries in the PRC are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their payroll to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to retirement schemes charged to the income statement during the year ended 31 December 2022 amounted to RMB4,271,000 (2021 (restated): RMB3,587,000).

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE CODE

The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2022, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company and the external auditor the accounting principles and practices adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2022.

AUDITORS

KPMG will retire and being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the board

Chan Yeung Nam
Chairman

Hong Kong, 30 March 2023

Independent Auditor's Report

Independent auditor's report to the shareholders of
Huayu Expressway Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huayu Expressway Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 152, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Assessing the value of disposal group held for sale

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 94 and 95.

The Key Audit Matter	How the matter was addressed in our audit
On 1 December 2022, the Group entered into a sale and purchase agreement with NWS (Guangdong) Investment Company Limited ("NWS"), pursuant to which the Group conditionally agreed to sell and NWS conditionally agreed to acquire the Group's 60% equity interests in 湖南道岳高速公路實業有限公司 ("Daoyue"). Accordingly, management considered it was highly probable that the carrying amount of Daoyue would be recovered through a sale transaction rather than through continuing use and classified the assets and liabilities of Daoyue ("the disposal group") as held for sale. Immediately before the initial classification of the disposal group as held for sale, an assessment on whether there is further impairment or a reversal of impairment on the carrying amounts of the assets in the disposal group was made. Upon and subsequent to the initial classification, the disposal group held for sale was measured at the lower of its carrying amount and fair value less costs to sell. As disclosed in note 7 to the consolidated financial statements, the disposal group has intangible asset with significant amount relating to service concession arrangement of the rights to operate the Sui-Yue Expressway operated by Daoyue.	Our audit procedures to assess the value of disposal group held for sale included the following: • assessing the Group's judgement on the classification of the disposal group as held for sale through understanding the status of the proposed transaction and inspecting the terms and conditions of the sale and purchase agreement; • for the impairment assessment of the intangible asset relating to the Sui-Yue Expressway immediately before the initial reclassification: o evaluating the identification of the CGU by management with reference to the requirements of the prevailing accounting standards; o obtaining and inspecting the external valuation report prepared by external valuer engaged by management on which the impairment assessment of the intangible assets relating to the service concession arrangement of the rights of Sui-Yue Expressway ("the Assessment") were based; o assessing the competence, capabilities and objectivity of the external valuer appointed by management;

KEY AUDIT MATTERS (continued)

Assessing the value of disposal group held for sale

The Key Audit Matter	How the matter was addressed in our audit
The disposal group's operations are sensitive to changes in government policies relating to all aspects of the transportation sector, including but not limited to policies relating to provincial and municipal transportation networks and traffic regulations. As disclosed in note 12 to the consolidated financial statements, prior to its initial reclassification as held for sale, the accumulated impairment loss on the intangible assets relating to service concession arrangement of the Sui Yue Expressway was amounted to RMB548 million. Management performed the impairment assessment of the intangible asset relating to the Sui-Yue Expressway immediately before the initial reclassification. The impairment assessment was based on a valuation report prepared by an external valuer appointed by management using a discounted cash flow forecast for the cash generating unit ("CGU"). No further provision or reversal of impairment loss for intangible assets relating to service concession arrangement of the Sui Yue Expressway is considered necessary by management.	o discussing the latest management plans and budgets with management and challenging the key estimates and assumptions adopted in the discounted cash flow forecast, in particular the toll road revenue growth rate over the concession period, by comparing these with historical results, economic and industry forecasts; o comparing the cash flows for the year ended 31 December 2022 previously forecast by management in 2021 with the actual results for the current year to assess the reliability of management's forecasting process; o with the assistance of our internal valuation specialists, assessing the methodology adopted by management in the preparation of the Assessment and evaluating the reasonableness of the discount rates by benchmarking against other comparable companies in the same industry; and o assessing the sensitivity of key assumptions, including the toll revenue growth rate and the discount rate, in the discounted cash flow forecast and considering whether there was any evidence of potential management bias;

KEY AUDIT MATTERS (continued)

Assessing the value of disposal group held for sale

The Key Audit Matter	How the matter was addressed in our audit
In addition, management estimated the fair value less costs to sell of the disposal group upon initial reclassification and at the end of the reporting period. The fair value less costs to sell of the disposal group is higher than the carrying amount of the disposal group upon the reclassification and at the end of the reporting period. The preparation of discounted cash flow forecast for the assessment of the intangible asset relating to the Sui-Yue Expressway immediately before the initial reclassification and the assessment of the fair value less cost to sell of the disposal group upon the reclassification and at the end of the reporting period involves the exercise of significant management judgement and estimation, particularly in relation to the forecast of revenue and the discount rate applied to estimate the net present value of the future operating cash flows, the amount expected to be recovered from disposal of the disposal group and the expected cost to sell of the disposal group. We identified assessing the value of disposal group held for sale as a key audit matter because of the inherent uncertainty involved in forecasting future revenue from the disposal group, the amount expected to be recovered from disposal of the disposal group and the expected cost to sell of the disposal group and determining the applicable discount rates, which could be subject to potential management bias.	• for the assessment of fair value less cost to sell of the disposal group upon the initial reclassification and at the end of the reporting period: o assessing the reasonableness of the amount management expects to be recovered from disposal of the disposal group and the expected cost to sell taking into consideration the terms and conditions of the sale and purchase agreement and other adjustment factors and actual costs incurred subsequent to the reporting period; and o testing the mathematical accuracy of the calculation of the fair value less costs to sell of the disposal group; • comparing the carrying amount of the disposal group with its fair value less costs to sell and assessing if the disposal group is recognised at the lower of its carrying amount and fair value less costs to sell; and • considering the reasonableness of the disclosures in the consolidated financial statements in respect of the Assessment with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Revenue recognition: sales of liquor and spirits under distributor arrangement

Refer to note 3 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter

During the year ended 31 December 2022, the Group's revenue from its liquor and spirits trading business amounted to RMB341 million, RMB337 million of which was generated from sales under distributor arrangement. The Group enters into framework distribution agreements with its distributors every year. According to the terms of the framework distribution agreements, revenue is recognised when the goods are delivered to the distributors' premises, which is the point when the control of the goods is considered to have transferred to its distributors.

We identified the recognition of revenue from sales of liquor and spirits under the distributor arrangements as a key audit matter because revenue is one of the key performance indicators of the Group, and there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the revenue recognition: sales of liquor and spirits under distributor arrangement included the following:

- obtaining an understanding of the Group's accounting policy for the recognition of revenue from sales of liquor and spirits under distributor arrangement; and assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue of sales to distributor;

- inspecting, on a sample basis, the framework distribution agreements with distributors to understand key terms and conditions of sales including the terms of delivery, applicable rebate and/or discount arrangements and any sales return arrangements to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS (continued)

Revenue recognition: sales of liquor and spirits under distributor arrangement

The Key Audit Matter	How the matter was addressed in our audit
	• testing revenue transactions, on a sample basis, by examining the relevant supporting documents, including sales orders from distributors, goods delivery notes and distributors' acknowledgement of receipt notes; • obtaining external confirmations of the value of sales transactions for the year ended 31 December 2022 and outstanding trade receivable or receipt in advance balances as at that date directly from distributors, on a sample basis; • for sales transactions around the financial year end, comparing, on a sample basis, details in the sales invoices to the relevant goods delivery notes, which were signed by the distributors, to assess if the related revenue had been recognised in the appropriate financial period on the basis of the terms of sales as set out in the distribution agreements; • identifying significant sales returns from the sales ledger after the year end and inspecting the underlying documentation in relation to these sales returns to assess if the related adjustments to revenue had been accounted for in the appropriate accounting period; and • inspecting a sample of manual adjustments to revenue raised during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2023

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022
(Expressed in Renminbi)

	Note	**2022 RMB'000**	2021 RMB'000 (restated) (Note 30)
Continuing operations			
Revenue	3	**409,886**	688,452
Cost of sales		**(290,201)**	(480,024)
Gross profit		**119,685**	208,428
Other revenue	4	**3,367**	3,920
Other net (loss)/income	4	**(2,687)**	2,369
Administrative expenses		**(38,667)**	(72,367)
Selling and distribution costs		**(15,872)**	(25,801)
Profit from operations		**65,826**	116,549
Finance costs	5(a)	**(1,533)**	(2,676)
Share of profits less losses of associates		**4,203**	14,172
Profit before taxation	5	**68,496**	128,045
Income tax	6(a)	**(19,297)**	(42,960)
Profit from continuing operations		**49,199**	85,085
Discontinued Sui-Yue Expressway operation			
Profit from discontinued Sui-Yue Expressway operation, net of tax	7	**37,715**	49,219
Profit for the year		**86,914**	134,304

The notes on pages 75 to 152 form part of these financial statements.

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022
(Expressed in Renminbi)

	Note	**2022** **RMB'000**	2021 RMB'000 (restated) (Note 30)
Profit attributable to:			
Equity shareholders of the Company			
– continuing operations		**26,399**	55,925
– discontinued Sui-Yue Expressway operation		**22,629**	30,501
		49,028	86,426
Non-controlling interests			
– continuing operations		**22,800**	29,160
– discontinued Sui-Yue Expressway operation		**15,086**	18,718
		37,886	47,878
Profit for the year		**86,914**	134,304
Basic earnings per share (RMB Cents)	10		
– continuing operations		**6.40**	13.56
– discontinued Sui-Yue Expressway operation		**5.48**	7.39
		11.88	20.95
Diluted earnings per share (RMB Cents)	10		
– continuing operations		**6.40**	13.56
– discontinued Sui-Yue Expressway operation		**5.48**	7.39
		11.88	20.95

The notes on pages 75 to 152 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022
(Expressed in Renminbi)

	2022 RMB'000	2021 RMB'000 (restated) (Note 30)
Profit for the year	**86,914**	134,304
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of entities comprising the Group not using Renminbi as functional currency	**(3,444)**	(106)
Total comprehensive income for the year	**83,470**	134,198
Attributable to:		
Equity shareholders of the Company		
– continuing operations	**22,955**	55,819
– discontinued Sui-Yue Expressway operation	**22,629**	30,501
	45,584	86,320
Non-controlling interests		
– continuing operations	**22,800**	29,160
– discontinued Sui-Yue Expressway operation	**15,086**	18,718
	37,886	47,878
Total comprehensive income for the year	**83,470**	134,198

The notes on pages 75 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2022
(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000 (restated) (Note 30)	1 January 2021 RMB'000 (restated) (Note 30)
Non-current assets				
Property, plant and equipment	11	**7,094**	29,649	16,263
Intangible asset – service concession arrangement	12	**115,091**	1,202,538	1,260,325
Interests in associates	14	**125,883**	34,065	18,623
Deferred tax assets	23(b)	**1,382**	114,015	122,362
		249,450	1,380,267	1,417,573
Current assets				
Inventories	15	**159,933**	81,763	79,528
Other current assets	16	**12,261**	1,342	388
Trade and other receivables	17	**55,478**	142,976	30,771
Amounts due from related parties	28(b)	**21,214**	29,758	48,739
Cash and cash equivalents	18(a)	**205,659**	271,911	207,494
Assets of the disposal group held for sale	7	**1,251,957**	–	–
		1,706,502	527,750	366,920
Current liabilities				
Accruals and other payables	19	**24,694**	78,409	73,049
Amounts due to related parties	28(b)	**4,086**	3,498	8,407
Contract liabilities	20	**37,936**	25,307	5,547
Bank loans and other borrowing	21	**50,000**	110,000	130,000
Lease liabilities	22	**1,387**	1,468	1,082
Current taxation	23(a)	**1,983**	8,447	4,357
Amount due to the controlling shareholder of the Company	28(b)	**91,091**	–	–
Liabilities directly associated with the disposal group held for sale	7	**941,482**	–	–
		1,152,659	227,129	222,442
Net current assets		**553,843**	300,621	144,478
Total assets less current liabilities		**803,293**	1,680,888	1,562,051

The notes on pages 75 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2022
(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000 (restated) (Note 30)	1 January 2021 RMB'000 (restated) (Note 30)
Non-current liabilities				
Bank loans and other borrowing	21	**–**	877,924	787,169
Amount due to the controlling shareholder of the Company	28(b)	**–**	83,375	85,825
Lease liabilities	22	**263**	1,513	797
		263	962,812	873,791
NET ASSETS		**803,030**	718,076	688,260
CAPITAL AND RESERVES	24			
Share capital		**3,634**	3,634	3,634
Reserves		**514,534**	467,953	514,381
Total equity attributable to equity shareholders of the Company		**518,168**	471,587	518,015
Non-controlling interests		**284,862**	246,489	170,245
TOTAL EQUITY		**803,030**	718,076	688,260

Approved and authorised for issue by the board of directors on 30 March 2023.

Chan Yeung Nam	**Fu Jie Pin**
Chairman	*Executive Director*

The notes on pages 75 to 152 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital Note 24(a) RMB'000	Share premium Note 24(d)(i) RMB'000	Statutory reserve Note 24(d)(ii) RMB'000	Other reserve Note 24(d)(iii) RMB'000	Share-based compensation reserve Note 24(d)(iv) RMB'000	Exchange reserve Note 24(d)(v) RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2021 (restated) (Note 30)	3,634	71,798	14,263	813,357	3,011	(16,918)	(371,130)	518,015	170,245	688,260
Changes in equity for 2021:										
Profit for the year	–	–	–	–	–	–	86,426	86,426	47,878	134,304
Other comprehensive income	–	–	–	–	–	(106)	–	(106)	–	(106)
Total comprehensive income	–	–	–	–	–	(106)	86,426	86,320	47,878	134,198
Dividends declared to the former shareholders of a subsidiary before acquisition under common control	–	–	–	–	–	–	(9,348)	(9,348)	(6,232)	(15,580)
Acquisition of a subsidiary under common control	–	–	–	(127,200)	–	–	–	(127,200)	–	(127,200)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	7,900	7,900
Disposal of partial interests in a subsidiary	–	–	–	(5,735)	–	–	–	(5,735)	21,770	16,035
Appropriation to statutory reserve	–	–	8,837	–	–	–	(8,837)	–	–	–
Equity settled share-based transactions	–	–	–	–	29,846	–	–	29,846	4,928	34,774
Dividends declared in respect of the current year	–	(20,311)	–	–	–	–	–	(20,311)	–	(20,311)
Balance at 31 December 2021 (restated) (Note 30)	3,634	51,487	23,100	680,422	32,857	(17,024)	(302,889)	471,587	246,489	718,076

	Attributable to equity shareholders of the Company									
	Share capital Note 24(a) RMB'000	**Share premium Note 24(d)(i) RMB'000**	**Statutory reserve Note 24(d)(ii) RMB'000**	**Other reserve Note 24(d)(iii) RMB'000**	**Share-based compensation reserve Note 24(d)(iv) RMB'000**	**Exchange reserve Note 24(d)(v) RMB'000**	**Accumulated losses RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
Balance at 1 January 2022 (restated) (Note 30)	**3,634**	**51,487**	**23,100**	**680,422**	**32,857**	**(17,024)**	**(302,889)**	**471,587**	**246,489**	**718,076**
Changes in equity for 2022:										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**49,028**	**49,028**	**37,886**	**86,914**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(3,444)**	**–**	**(3,444)**	**–**	**(3,444)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(3,444)**	**49,028**	**45,584**	**37,886**	**83,470**
Equity settled share-based transactions	**–**	**–**	**–**	**–**	**997**	**–**	**–**	**997**	**299**	**1,296**
Appropriation to statutory reserve	**–**	**–**	**4,572**	**–**	**–**	**–**	**(4,572)**	**–**	**–**	**–**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**188**	**188**
Expiry of share options	**–**	**–**	**–**	**–**	**(28,769)**	**–**	**28,769**	**–**	**–**	**–**
Balance at 31 December 2022	**3,634**	**51,487**	**27,672**	**680,422**	**5,085**	**(20,468)**	**(229,664)**	**518,168**	**284,862**	**803,030**

The notes on pages 75 to 152 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2022
(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000 (restated) (Note 30)
Operating activities			
Cash generated from operations	18(b)	**234,670**	246,321
PRC Corporate Income Tax paid		**(35,972)**	(46,764)
Withholding tax in the PRC paid		**–**	(2,511)
Net cash generated from operating activities		**198,698**	197,046
Investing activities			
Payment for the purchase of property, plant and equipment		**(10,069)**	(11,669)
Payment for intangible assets		**(18,294)**	(5,717)
Payment for property deposit		**–**	(14,000)
Repayment from a related party		**–**	15,095
Payment for investments in associates		**(87,288)**	(4,800)
Interest received		**3,032**	3,561
Payment to non-controlling interests		**(7,200)**	–
Proceeds of property deposit		**14,000**	–
Payment for other investments		**(10,800)**	–
Payment for acquisition of a subsidiary under common control		**–**	(127,200)
Net cash used in investing activities		**(116,619)**	(144,730)
Financing activities			
Capital element of lease rentals paid	18(c)	**(1,529)**	(1,538)
Interest element of lease rentals paid	18(c)	**(117)**	(114)
Proceeds of loan and other borrowings	18(c)	**100,000**	1,052,923
Repayment of loan and other borrowings	18(c)	**(160,000)**	(982,168)
Capital injection from non-controlling interests		**188**	7,900
Borrowing costs paid	18(c)	**(44,672)**	(53,412)
Net proceeds from disposal of partial interests in subsidiaries		**11,713**	9,000
Dividends paid to equity shareholders of the Company		**–**	(20,311)
Net cash (used in)/generated from financing activities		**(94,417)**	12,280

Consolidated Statement of Cash Flows

for the year ended 31 December 2022
(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000 (restated) (Note 30)
Net (decrease)/increase in cash and cash equivalents		**(12,338)**	64,596
Cash and cash equivalents at 1 January		**271,911**	207,494
Effect of foreign exchange rate changes		**501**	(179)
Cash and cash equivalents at 31 December		**260,074**	271,911
Analysis of cash and cash equivalents:			
Cash and cash equivalents as stated in the statement of financial position	18(a)	**205,659**	271,911
Cash and cash equivalents of a disposal group classified as held for sale	7	**54,415**	–
Cash and cash equivalents as stated in the statement of cash flows		**260,074**	271,911

The notes on pages 75 to 152 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell (see note 1(x)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

(i) Overview of new and amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendment to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of the developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) Change in presentation currency

In prior years, the Group's consolidated financial statements were presented in Hong Kong dollars ("HKD"). During the year, having considered that the functional currency of the principal subsidiaries is Renminbi ("RMB") and in view of the recent fluctuation of the exchange rate of RMB against HKD, the Company considers that changing the presentation currency from HKD to RMB would help to eliminate fluctuation on the reported results caused by exchange rate fluctuation which does not have any direct relationship to the Group's financial performance. This will enable the shareholders of the Company to understand the actual financial performance of the Group better.

In view of the above, the Company has decided to adopt RMB as the presentation currency for the consolidated financial statements of the Group effective from 31 December 2022. On the basis that the functional currency of the companies comprising the Group remains unchanged, the change of the presentation currency and restatement of the comparative figure from HKD to RMB are not expected to give rise to any impact on foreign exchange gain or losses.

The change in presentation currency has been applied retrospectively as a change in accounting policy under HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In representing the comparative figures from HKD to RMB, items in the consolidated statement of financial position were translated using the applicable closing rate as of each reporting dates and items in the consolidated statement of profit or loss were translated using appropriate average rates that approximated to actual rates for each reporting period. Share capital, share premium and reserves were translated at the exchange rate prevailing at the date when the respective amounts were determined (i.e. historical exchange rates).

The combined effect of change in presentation currency of the Group and the proposed disposal of Daoyue as set out in note 7 to the comparative figures of the consolidated statement of profit or loss, and the effect of change in presentation currency of the Group to comparative figures of certain categories of consolidated statement of financial position, is set out in note 30 to these financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)(ii)).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 1(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Investment in wealth management product

Investment in wealth management product with expiry date less than one year at the reporting date is classified as financial assets at fair value through profit or loss (FVPL) under other current asset. Changes in the fair value of the investment (including investment income) are recognised in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment, including right-of-use assets, are stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Toll station and ancillary equipment	5 – 10 years
– Other machinery and equipment	5 years
– Motor vehicles	5 years
– Furniture and fixtures	5 years

– Other properties leased for own use are depreciated over the shorter of the unexpired term of lease and their estimated useful lives.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible asset – service concession arrangement

The Group has entered into contractual service arrangement with local government authorities for its participation in the construction, operation and management of an expressways in Mainland China. The Group carries out the construction of an expressways for the granting authorities and receives in exchange for the right to operate the expressways concerned and the entitlement to toll fees collected from users of the concession infrastructure.

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The concession grantor has not provided any contractual guarantee in respect of the amounts of construction costs incurred to be recoverable. Intangible assets received as consideration for providing construction work and project management services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)).

Land collection costs incurred in conjunction with the service concession arrangement are recognised as intangible asset acquired under the service concession arrangement.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of the intangible asset arising from a service concession arrangement on a unit of usage basis whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those expressways. It is the Group's policy to review regularly the total projected traffic volume throughout the operative periods of the respective expressways. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change. Where an item of infrastructure assets included in the intangible asset arising from a service concession arrangement has different period of expected future economic benefits flowing to the Group than the concession period, it is amortised separately.

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(g) and 1(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in property, plant and equipment and presents lease liabilities separately in the consolidated statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(t)(iii).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (i.e. trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible asset – service concession arrangement; and
- investments in subsidiaries and associates in the Company's statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(v)).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

Restricted shares

The difference between the granted price and the fair value of the restricted shares granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value of the restricted shares is measured at date of grant by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total difference between the granted price and the fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(ii) Share-based payments (continued)

Share options

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Toll revenue

The Group's toll revenue is measured based on the consideration the Group expects to be entitled from the contract with the customer and excludes those amounts collected on behalf of third parties. The Group recognises toll revenue when the vehicles go through the Expressway and pass the toll stations, which means it transfers control over services to customers. Due to the implementation of unified toll collection policy on the Expressway, the settlement period of the toll revenue from toll road operation is normally within a month.

(ii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue and other income (continued)

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Dividend distribution

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, when appropriate.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Non-current assets held for sale and discontinued operations (continued)

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Amortisation of intangible asset – service concession arrangement

The Group applied HK (IFRIC) Interpretation 12 and recognised intangible asset – service concession arrangement and provides amortisation thereon.

Amortisation of intangible asset – service concession arrangement is provided on unit of usage basic as set out in accounting policy in note 1(h). Material adjustments may need to be made to the carrying amounts of intangible assets – service concession arrangement should there be a material difference between total projected traffic volume and the actual results.

The directors perform a periodic assessment of the total projected traffic volume and will prospectively adjust the amortisation unit according to revised projected traffic volume.

(b) Impairment of property, plant and equipment and intangible assets

If circumstances indicate that the carrying amount of property, plant and equipment and intangible assets may not be recoverable, these assets may be considered "impaired" and an impairment loss may be recognised in profit or loss. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, the expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of future toll revenue and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of toll revenue and the amount of operating costs, and discount rate.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(c) Impairment of disposal group held for sale

The Group measures disposal group held for sale at the lower of its carrying amount and fair value less costs to sell. An impairment loss shall be recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell.

The Group adopted the discounted cashflow forecast approach to estimate the fair value less costs to sell of the disposal group, which requires significant judgement relating to revenue, operating costs of the disposal group and risk premium the disposal group facing. The Group uses all readily available information in determining an amount that is a reasonable approximation of the fair value less cost to sell, including estimates based on reasonable and supportable assumptions and projections of revenue, operating costs, discount rate and cost of disposal.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the trading of liquor and spirits and construction, operation and management of the First Phase of Qing Ping Expressway (the "Qing Ping Expressway"), and Sui-Yue Expressway (Hunan Section) (the "Sui-Yue Expressway", collectively the "Expressways") in Mainland China. Further details regarding the Group's principal activities are disclosed in note 3(b).

3 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2022 RMB'000	2021 RMB'000 (restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Continuing operations:		
– Toll income	**68,806**	88,884
– Sales of liquor and spirits	**341,080**	599,568
	409,886	688,452
Discontinued Sui-Yue Expressway operation:		
– Toll income	**176,844**	180,516
	586,730	868,968

Since the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is Mainland China. Therefore, no analysis by geographical regions is presented.

All the above revenue of the Group were recognised at a point in time.

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

Continuing reportable segments:

– Qing Ping Expressway, construction, operation and management of the Qing Ping Expressway;

– Liquor and spirits, mainly distribution of Huamaojiu and Xijiushaofang.

Discontinued reportable segment:

– Sui-Yue Expressway, construction, operation and management of the Sui-Yue Expressway.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include accruals, bills payable and lease liabilities attributable to the expressways operations and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 (restated) is set out below.

	For the year ended 31 December 2022				
	Continuing operations			Discontinued Sui-Yue Expressway operation	
	Qing Ping Expressway RMB'000	Liquor and spirits RMB'000	Subtotal RMB'000	Sui-Yue Expressway RMB'000	Total RMB'000
Reportable segment revenue	68,806	341,080	409,886	176,844	586,730
Reportable segment profit (adjusted EBITDA)	25,163	78,237	103,400	136,187	239,587
Interest income from bank deposits	110	1,331	1,441	804	2,245
Interest expense	–	(1,486)	(1,486)	(43,139)	(44,625)
Depreciation and amortisation for the year	(17,914)	(2,277)	(20,191)	(42,853)	(63,044)
As at 31 December 2022					
Reportable segment assets	181,041	501,075	682,116	1,139,782	1,821,898
Reportable segment liabilities	11,425	127,532	138,957	938,867	1,077,824

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	For the year ended 31 December 2021 (restated)				
	Continuing operations			Discontinued Sui-Yue Expressway operation	
	Qing Ping Expressway RMB'000	Liquor and spirits RMB'000	Subtotal RMB'000	Sui-Yue Expressway RMB'000	Total RMB'000
Reportable segment revenue	88,884	599,568	688,452	180,516	868,968
Reportable segment profit (adjusted EBITDA)	45,633	128,368	174,001	148,105	322,106
Interest income from bank deposits	325	1,272	1,597	726	2,323
Interest expense	(1,816)	(841)	(2,657)	(46,631)	(49,288)
Depreciation and amortisation for the year	(24,392)	(1,861)	(26,253)	(36,997)	(63,250)
As at 31 December 2021					
Reportable segment assets	182,159	408,911	591,070	1,161,869	1,752,939
Reportable segment liabilities	18,479	88,836	107,315	1,001,804	1,109,119

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2022 RMB'000	2021 RMB'000 (restated)
Revenue		
Reportable segment revenue	**586,730**	868,968
Less: segment revenue from discontinued Sui-Yue Expressway operation	**(176,844)**	(180,516)
Consolidated revenue (note 3(a))	**409,886**	688,452
Profit		
Reportable segment profit (adjusted EBITDA)	**239,587**	322,106
Less: segment profit from discontinued Sui-Yue Expressway operation	**(136,187)**	(148,105)
Reportable segment profit from continuing operations	**103,400**	174,001
Other revenue	**787**	1,238
Other net (loss)/income	**(3,890)**	2,022
Depreciation and amortisation	**(20,191)**	(26,253)
Finance costs	**(1,486)**	(2,657)
Unallocated head office and corporate expenses	**(10,124)**	(20,306)
Consolidated profit before taxation	**68,496**	128,045
Assets		
Reportable segment assets	**1,821,898**	1,752,939
Elimination of inter-segment receivables	**(25,695)**	(15,860)
	1,796,203	1,737,079
Deferred tax assets	**113,557**	114,015
Unallocated head office and corporate assets	**46,192**	56,923
Consolidated total assets	**1,955,952**	1,908,017
Liabilities		
Reportable segment liabilities	**1,077,824**	1,109,119
Elimination of inter-segment payables	**(25,695)**	(16,390)
	1,052,129	1,092,729
Current taxation	**4,598**	8,447
Unallocated head office and corporate liabilities	**96,195**	88,765
Consolidated total liabilities	**1,152,922**	1,189,941

4 OTHER REVENUE AND NET (LOSS)/INCOME

	2022 RMB'000	2021 RMB'000 (restated)
Other revenue		
Continuing operations:		
Billboard rental income	**1,139**	1,085
Interest income from bank deposits	**2,228**	2,835
	3,367	3,920
Discontinued Sui-Yue Expressway operation:		
Billboard rental income	**394**	466
Interest income from bank deposits	**804**	726
	1,198	1,192
	4,565	5,112
Other net (loss)/income		
Continuing operations:		
Net foreign exchange (loss)/gain	**(3,890)**	2,022
Loss on disposal of property, plant and equipment	**(432)**	(160)
Others	**1,635**	507
	(2,687)	2,369
Discontinued Sui-Yue Expressway operation:		
Compensation for litigation (note 7(c)(ii))	**(9,000)**	–
Net foreign exchange (loss)/gain	**(131)**	42
Others	**473**	2,359
	(8,658)	2,401
	(11,345)	4,770

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2022 RMB'000	2021 RMB'000 (restated)
Continuing operations:		
Interest on bank loans and other borrowing	**1,416**	2,562
Interest on lease liabilities	**117**	114
	1,533	2,676
Discontinued Sui-Yue Expressway operation:		
Interest on bank loans and other borrowing	**43,139**	46,631
	44,672	49,307

5 PROFIT BEFORE TAXATION (continued)

(b) Staff costs:

	2022 RMB'000	2021 RMB'000 (restated)
Continuing operations:		
Salaries, wages and other benefits	**34,571**	34,375
Contributions to defined contribution retirement plans	**2,506**	2,112
Share-based payment expenses	**1,296**	33,056
	38,373	69,543
Discontinued Sui-Yue Expressway operation:		
Salaries, wages and other benefits	**13,559**	15,798
Contributions to defined contribution retirement plans	**1,765**	1,475
Share-based payment expenses	**–**	1,718
	15,324	18,991
	53,697	88,534

Pursuant to the relevant labour rules and regulations in Mainland China, Mainland China subsidiaries participate in a defined contribution retirement benefit scheme ("the Scheme") organised by the local authority whereby Mainland China subsidiaries are required to make contributions to the Scheme at a fixed rate announced annually by the municipal government. The municipal government is responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

There is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligation for the payment of pension benefits associated with the schemes referred to above beyond the annual contributions described above.

5 PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2022 RMB'000	2021 RMB'000 (restated)
Continuing operations		
Auditors' remuneration		
– annual audit and interim review services	**3,042**	2,472
– other professional services	**276**	709
Depreciation charge		
– owned property, plant and equipment	**1,910**	1,313
– right-of-use assets	**1,550**	1,477
Amortisation		
– Qing Ping Expressway	**17,753**	22,630
Discontinued Sui-Yue Expressway operation:		
Depreciation charge		
– owned property, plant and equipment	**3,348**	3,448
Amortisation		
– Sui-Yue Expressway	**39,505**	35,157

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000 (restated)
Continuing operations		
Current tax – PRC Corporate Income tax		
– Provision for the year	**19,859**	44,200
– (Over)/under-provision in respect of prior years	**(497)**	55
	19,362	44,255
Deferred tax		
– Origination and reversal of temporary differences	**(65)**	(1,295)
	19,297	42,960
Discontinued Sui-Yue Expressway operation:		
Current tax – PRC corporate income tax		
– Provision for the year	**11,717**	6,342
– Under-provision in respect of prior years	**1,044**	–
	12,761	6,342
Deferred tax		
– Origination and reversal of temporary differences	**523**	9,642
	13,284	15,984

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(a) Taxation in the consolidated statement of profit or loss represents: (continued)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2022 and 2021.

(iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in Mainland China are subject to PRC corporate income tax at a rate of 25% (2021: 25%) on its assessable profits. Reversal and origination of temporary differences are in connection with the impairment provision and construction profit of intangible asset – service concession arrangement, deductible tax losses and other deductible temporary differences.

(iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	2022 RMB'000	2021 RMB'000 (restated)
Continuing operations		
Profit before tax from continuing operations	**68,496**	128,045
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**19,624**	36,479
Tax effect on unused tax losses not recognised	**1,598**	469
Tax effect on deductible temporary differences	**(469)**	1,153
Tax effect of non-deductible expenses	**604**	6,737
Tax effect of non-taxable income	**(1,563)**	(3,821)
Use of tax losses carried from previous years	**–**	(623)
(Over)/under-provision in respect of prior years	**(497)**	55
PRC withholding tax	**–**	2,511
Income tax	**19,297**	42,960
Discontinued Sui-Yue Expressway operation		
Profit before taxation form discontinued Sui-Yue Expressway operation	**50,999**	65,203
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**12,750**	16,301
Tax effect of non-deductible expenses	**158**	289
Under-provision in respect of prior years	**1,044**	–
Others	**(668)**	(606)
Income tax	**13,284**	15,984

7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 1 December 2022, the Group entered into a sale and purchase agreement with NWS (Guangdong) Investment Company Limited ("NWS"), a minority shareholder which owned 40% equity interest of Hunan Daoyue Expressway Industry Co., Ltd.(湖南道岳高速公路實業有限公司, "Daoyue"), a non-wholly subsidiary of the Group in which the Group has 60% equity interest. Pursuant to the sale and purchase agreement, the Group agreed to sell its entire equity interests in Daoyue to NWS at an initial consideration of RMB555,700,000, subject to the terms and conditions in the sale and purchase agreement ("the Disposal"). Accordingly, the assets and liabilities of Daoyue as presented disposal group held for sale.

The Sui-Yue Expressway segment owned and operated by Daoyue was not previously classified as held-for-sale or a discontinued Sui-Yue Expressway operation. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued Sui-Yue Expressway operation separately from continuing operations.

(a) Results of discontinued Sui-Yue Expressway operation

	Note	**2022 RMB'000**	2021 RMB'000 (restated)
Discontinued Sui-Yue Expressway operation			
Revenue	3	**176,844**	180,516
Cost of sales		**(61,019)**	(57,274)
Gross profit		**115,825**	123,242
Other revenue	4	**1,198**	1,192
Other net (loss)/income	4	**(8,658)**	2,401
Administrative expenses		**(14,227)**	(15,001)
Profit from operation		**94,138**	111,834
Finance costs	5(a)	**(43,139)**	(46,631)
Profit before taxation	5	**50,999**	65,203
Income tax	6(a)	**(13,284)**	(15,984)
Profit for the year		**37,715**	49,219

7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

(b) Cash flows of discontinued Sui-Yue Expressway operation

	2022 RMB'000	2021 RMB'000 (restated)
Net cash generated from operating activities	**131,065**	141,020
Net cash used in investing activities	**(19,026)**	(10,794)
Net cash used in financing activities	**(123,021)**	(131,716)
Net cash flow for the year	**(10,982)**	(1,490)

(c) Assets and liabilities included in disposal group held for sale

Considering that the disposal group's fair value less costs to sell assessed by management as at 31 December 2022 were higher than its carrying amount, the assets and liabilities held for sale were measured at their carrying amounts. As at 31 December 2022, the disposal group comprised the following assets and liabilities after inter-company elimination:

	Note	RMB'000
Assets		
Property, plant and equipment	11	16,287
Intangible asset – service concession arrangement	12	1,062,711
Deferred tax assets	23(b)	112,175
Trade and other receivables		6,369
Cash and cash equivalents		54,415
Assets of disposal group held for sale		1,251,957
Liabilities		
Accruals and other payables	(i)	51,752
Provisions	(ii)	9,000
Amounts due to related parties	28(b)	191
Bank loans	(iii)	877,924
Current taxation		2,615
Liabilities directly associated with the disposal group held for sale		941,482

7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

(c) Assets and liabilities included in disposal group held for sale (continued)

(i) The amount includes an accrual of RMB33,361,000 in respect of land-transferring fees, valuation fees and other fees for obtaining of the title registration certificates of a piece of occupied land as set out in note 12.

(ii) In 2021, four individuals ("Plaintiffs") had collectively initiated legal proceedings in against Daoyue, for disputes in respect of construction contacts. The Group had appealed after Daoyue received a judgement from the court which was in favour of the Plaintiffs and the case was remitted for retrial. In September 2022, the court affirmed the judgment while Daoyue had appealed again and no verdicts were concluded up to the date of this report. Management considered that the retrial upheld the original judgment and the related legal compensation is probable, hence the provisions of RMB9,000,000 had been made based on the expected monetary compensation plus the related finance costs and court fees.

(iii) The loans are secured by the rights to operate the Sui-Yue Expressway and receive toll fees therefrom owned by Daoyue. As at 31 December 2022, none of the covenants relating to the loan has been breached.

8 DIRECTORS' EMOLUMENTS

The details of directors' emoluments are disclosed as follows:

2022	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Share-based payments expenses RMB'000	Total RMB'000
Executive directors						
Chan Yeung Nam	960	–	–	–	–	960
Fu Jie Pin	620	–	–	–	–	620
Liu Bao Hua (appointed on 1 April 2022)	349	–	–	–	–	349
Mai Qing Quan (resigned on 1 April 2022)	191	–	–	–	–	191
Independent non-executive directors						
Sun Xiao Nian	50	–	–	–	–	50
Chu Kin Wang, Peleus	120	–	–	–	–	120
Hu Lie Ge	50	–	–	–	–	50
Total	2,340	–	–	–	–	2,340

8 DIRECTORS' EMOLUMENTS (continued)

2021	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Share-based payments expenses RMB'000	Total RMB'000 (restated)
Executive directors						
Chan Yeung Nam	959	–	–	–	–	959
Fu Jie Pin	597	–	–	–	3,457	4,054
Mai Qing Quan (resigned on 1 April 2022)	720	–	–	–	2,593	3,313
Independent non-executive directors						
Sun Xiao Nian	50	–	–	–	–	50
Chu Kin Wang, Peleus	120	–	–	–	–	120
Hu Lie Ge	50	–	–	–	–	50
Total	2,496	–	–	–	6,050	8,546

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) are directors whose emoluments are disclosed in note 8 above.

The aggregate of the emoluments in respect of the remaining three (2021: three) individuals is as follows:

	2022 RMB'000	2021 RMB'000 (restated)
Salaries and other emoluments	**1,748**	1,392
Discretionary bonuses	**589**	665
Retirement scheme contributions	**133**	79
Share-based payments expenses	**1,296**	8,815
	3,766	10,951

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emolument of the three (2021: three) individuals with the highest emolument is within the following bands:

	2022 Number of individuals	2021 Number of individuals
HKDNil – HKD1,000,000	**2**	–
HKD2,500,001 – HKD3,000,000	**1**	–
HKD3,000,001 – HKD3,500,000	**–**	1
HKD4,000,001 – HKD4,500,000	**–**	1
HKD5,500,001 – HKD6,000,000	**–**	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

(i) Profit attributable to ordinary shareholders (basic)

	2022 RMB'000	2021 RMB'000 (restated)
From continuing operations	**26,399**	55,925
From discontinued Sui-Yue Expressway operation	**22,629**	30,501
Profit attributable to ordinary shareholders	**49,028**	86,426

(ii) Weighted-average number of ordinary shares (basic)

	2022 '000	2021 '000
Issued ordinary shares at 1 January	**412,608**	412,608
Weighted average number of ordinary shares at 31 December	**412,608**	412,608

10 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(i) Profit attributable to ordinary shareholders (diluted)

	2022 **RMB'000**	2021 RMB'000 (restated)
From continuing operations	**26,399**	55,925
From discontinued Sui-Yue Expressway operation	**22,629**	30,501
Profit attributable to ordinary shareholders	**49,028**	86,426

(ii) Weighted-average number of ordinary shares (diluted)

	2022 **'000**	2021 '000
Weighted average number of ordinary shares at 31 December	**412,608**	412,608
Effect of deemed issue of shares under the Company's share option scheme (note 24(d)(iv))	**–**	56
Weighted average number of ordinary shares (diluted) at 31 December	**412,608**	412,664

During the year ended 31 December 2022, the effect of share options of the Group was anti-dilutive. There were no dilutive potential ordinary shares, therefore, diluted earnings per share is equivalent to basic earnings per share.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Toll station and ancillary equipment RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Other properties leased for own use carried at cost RMB'000	Total RMB'000
Cost:						
At 1 January 2021 (restated)	36,105	1,385	3,384	2,060	4,118	47,052
Additions	13,021	–	186	3,934	2,671	19,814
Disposals	(92)	–	–	(19)	(112)	(223)
Exchange adjustments	–	–	–	(1)	(95)	(96)
At 31 December 2021 (restated)	49,034	1,385	3,570	5,974	6,582	66,545
At 1 January 2022 (restated)	49,034	1,385	3,570	5,974	6,582	66,545
Additions	140	–	294	329	481	1,244
Disposals	(491)	–	–	(5)	(666)	(1,162)
Reclassification to assets held for sale	(44,951)	(1,385)	(2,290)	(755)	–	(49,381)
Exchange adjustments	–	–	–	3	359	362
At 31 December 2022	3,732	–	1,574	5,546	6,756	17,608
Accumulated depreciation:						
At 1 January 2021 (restated)	23,680	1,247	2,849	745	2,268	30,789
Charge for the year	3,999	–	105	657	1,477	6,238
Written back on disposals	(44)	–	–	(3)	(18)	(65)
Exchange adjustments	–	–	–	(1)	(65)	(66)
At 31 December 2021 (restated)	27,635	1,247	2,954	1,398	3,662	36,896
At 1 January 2022 (restated)	27,635	1,247	2,954	1,398	3,662	36,896
Charge for the year	3,831	–	138	1,289	1,550	6,808
Written back on disposals	(58)	–	–	(6)	(304)	(368)
Reclassification to assets held for sale	(29,440)	(1,247)	(1,797)	(610)	–	(33,094)
Exchange adjustments	–	–	–	3	269	272
At 31 December 2022	1,968	–	1,295	2,074	5,177	10,514
Net book value:						
At 31 December 2022	1,764	–	279	3,472	1,579	7,094
At 31 December 2021 (restated)	21,399	138	616	4,576	2,920	29,649

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2022	2021
	RMB'000	RMB'000 (restated)
Other properties leased for own use, carried at depreciated cost	**1,579**	2,920

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022	2021
	RMB'000	RMB'000 (restated)
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**1,550**	1,477
Interest on lease liabilities (note 5(a))	**117**	114

During the year, additions to right-of-use assets were RMB481,000 (2021: RMB2,671,000). The amount represents the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 22, respectively.

12 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

	2022 RMB'000	2021 RMB'000 (restated)
Cost:		
At 1 January	**2,572,721**	2,572,721
Additions	**33,361**	–
Disposals	**(1,042)**	–
Reclassification to assets held for sale	**(1,951,402)**	–
At 31 December	**653,638**	2,572,721
Accumulated amortisation:		
At 1 January	**821,757**	763,970
Charge for the year	**57,258**	57,787
Disposals	**(203)**	–
Reclassification to assets held for sale	**(340,265)**	–
At 31 December	**538,547**	821,757
Accumulated impairment loss:		
At 1 January	**548,426**	548,426
Reclassification to assets held for sale	**(548,426)**	–
At 31 December	**–**	548,426
Net book value:		
At 31 December	**115,091**	1,202,538

The service concession arrangement represents the Group's rights to operate the Sui-Yue Expressway and the Qing Ping Expressway and receive toll fees therefrom.

12 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (continued)

Accruals in respect of land occupation relating to service concession arrangement of the Sui-Yue Expressway included in the disposal group

Due to a dispute on the use of land occupied by Sui-Yue Expressway in Yunxi District of Yueyang City by certain barriers of the toll booths and a service area of Sui-Yue Expressway, the relevant authorities of Yueyang City issued penalty notices against Daoyue in August 2020 and September 2020. Daoyue holds the concession rights of the Sui-Yue Expressway. Pursuant to the penalty notices, Daoyue was required to vacate and remove the structures built on the land and was liable to pay an aggregate penalty of approximately RMB428,000. In the prior year, Daoyue had fully settled the penalty but had not recovered nor returned the land to the relevant municipals considering the normal operation of the gas station within the service area, and the relevant government authority has not enforced the demolition. As the dispute was still in the midst of negotiations with the relevant government authority in the prior year, there was no resolution or an agreed settlement mechanism. It was determined that no reliable estimate can be made on both the outcome and the amount in supplementing and completing relevant land use and title registration procedure. Accordingly, no accrual was recognised in prior year.

In October 2022, Daoyue has reached a preliminary agreement with the relevant government authority that Daoyue will supplement and complete relevant land use and title registration procedures. The land-transferring fees, valuation fees and other fees for obtaining of the title registration certificates of the land was estimated by the relevant government authority to be approximately RMB33,361,000. Accordingly, an accrual of RMB33,361,000 were recognised at the time of the preliminary agreement was reached. A corresponding intangible asset of same amount were recognised at the same time while the amortisation of the intangible asset was accelerated from the time of land occupation using a unit of usage basis according to the accounting policy of the Group.

Impairment loss of the intangible asset relating to service concession arrangement of the Sui-Yue Expressway included in the disposal group

The impairment previously recognised were determined by the estimation of recoverable amount compared to its carrying value. Management reassessed the value of the CGU, taking into account the changing of market factors and actual operating result of the Sui-Yue Expressway. No further impairment or impairment reversal is recognised during the year.

The recoverable amount of the CGU was determined by the value in use, based on the expected free cash flow up to the end of the service concession arrangement period, and a post-tax discount rate of 12% (equivalent to a pre-tax discount rate of 14.8%) (2021: a post-tax discount rate of 12.5% (equivalent to a pre-tax discount rate of 15.3%)).

The impairment loss was fully allocated to the intangible asset – service concession arrangement of the Sui-Yue Expressway.

(Expressed in Renminbi unless otherwise indicated)

12 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (continued)

Impairment loss of the intangible asset relating to service concession arrangement of the Sui-Yue Expressway included in the disposal group (continued)

Key assumptions used for the value in use calculation are as follows:

	2022	2021
Period of operation	**16 years**	17 years
Average annual toll revenue growth rate over the concession period	**2.4%**	2.5%
Discount rate	**12.0%**	12.5%

Discount rate

The discount rate is a post-tax measure estimated using the Capital Asset Pricing Model ("CAPM") based on the industry average ratios and the CGU's specific risks.

Average annual toll revenue growth rate over the concession period

The toll revenue growth rates were projected by the directors based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas.

Sensitivity to changes in assumptions

As the intangible asset relating to service concession arrangement of the Sui-Yue Expressway has been reduced to its recoverable amount, any adverse movement in a key assumption would lead to a further impairment. A sensitivity analysis on the discount rate and toll revenue has been performed by the directors as follows.

At 31 December 2022, it is estimated that an increase/decrease of 0.5% in discount rate, with all other variables held constant, would have decreased/increased the value in use of the intangible asset by approximately RMB19,310,000/RMB20,380,000.

At 31 December 2022, it is estimated that an increase/decrease of 5% in annual toll revenue growth rate, with all other variables held constant, would have increased/decreased the value in use of the intangible asset by approximately RMB23,930,000/RMB23,930,000.

(Expressed in Renminbi unless otherwise indicated)

13 INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 December 2022 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Type of legal entity under PRC law	Issued and fully paid/registered capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the company	Held by a subsidiary	
Top Talent Holdings Limited ("Top Talent")	BVI 18 March 2003	N/A	US$1/US$50,000	100%	100%	–	Investment holding
Shenzhen Huayu Expressway Investment Co., Ltd. ("Qingping")*	Mainland China 22 December 2002	Limited liability company	RMB150,000,000/ RMB150,000,000	60%	–	60%	Construction, operation and management of an expressway in the PRC
Shenzhen Huayu Wine Development Co., Ltd. ("Wine Development")*	Mainland China 25 January 2013	Limited liability company	HK$93,892,000/ HK$100,000,000	100%	–	100%	Distribution of liquor and spirits
Huayu Healthy Wine (Shenzhen) Co., Ltd. ("Healthy Wine")*	Mainland China 24 August 2018	Limited liability company	RMB50,000,000/ RMB50,000,000	77%	–	77%	Distribution of liquor and spirits
Guangxi Bama Huayu Yechang Liquor Co., Ltd.*	Mainland China 19 May 2021	Limited liability company	RMB10,000,000/ RMB10,000,000	70%	–	70%	Distribution of liquor and spirits
Guizhou Huayu Pengzhi Liquor Co., Ltd.*	Mainland China 18 December 2020	Limited liability company	RMB10,000,000/ RMB10,000,000	39%	–	51%	Distribution of liquor and spirits
Guangxi Bama Huayu Pengzhi Liquor Co., Ltd.*	Mainland China 28 December 2021	Limited liability company	RMB698,000/ RMB1,000,000	39%	–	51%	Distribution of liquor and spirits
Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue")*/**	Mainland China 22 December 2006	Limited liability company	RMB600,950,000/ RMB600,950,000	60%	–	60%	Construction, operation and management of an expressway in the PRC

* *These entities are established in Mainland China. The English translation of the Companies' names are for references only. The official names are in Chinese.*

** *As set out in note 7, Daoyue was reclassified to disposal held for sale during the year.*

13 INTERESTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to subsidiaries of the Group which has material non-controlling interest ("NCI").

	2022		
	Daoyue RMB'000	**Qingping RMB'000**	**Healthy Wine RMB'000**
NCI percentage	**40%**	**40%**	**23%**
Current assets	**61,749**	**63,907**	**235,485**
Non-current assets	**1,191,173**	**117,134**	**134,887**
Current liabilities	**(145,103)**	**(11,822)**	**(90,771)**
Non-current liabilities	**(797,924)**	**–**	**(263)**
Net assets	**309,895**	**169,219**	**279,338**
Carrying amount of NCI	**123,958**	**67,688**	**64,248**
Revenue	**176,844**	**68,806**	**275,215**
Profit for the year	**37,715**	**5,879**	**50,047**
Total comprehensive income	**37,715**	**5,879**	**50,047**
Profit allocated to NCI	**15,086**	**2,352**	**11,511**
Cash flows from operating activities	**131,065**	**17,182**	**40,958**
Cash flows from investing activities	**(19,026)**	**(18,413)**	**(87,709)**
Cash flows from financing activities	**(123,021)**	**–**	**18,000**

	2021 (restated)		
	Daoyue RMB'000	Qingping RMB'000	Healthy Wine RMB'000
NCI percentage	40%	40%	23%
Current assets	72,451	46,975	248,601
Non-current assets	1,202,116	135,184	43,564
Current liabilities	(124,463)	(18,818)	(63,395)
Non-current liabilities	(877,924)	–	(774)
Net assets	272,180	163,341	227,996
Carrying amount of NCI	108,872	65,336	52,439
Revenue	180,516	88,884	469,146
Profit for the year	46,796	15,040	73,276
Total comprehensive income	46,796	15,040	73,276
Profit allocated to NCI	18,718	6,016	11,619
Cash flows from operating activities	141,020	45,922	26,753
Cash flows from investing activities	(10,794)	(448)	(26,962)
Cash flows from financing activities	(131,716)	(41,816)	28,705

(Expressed in Renminbi unless otherwise indicated)

14 INTERESTS IN ASSOCIATES

The following list contains the particulars of the associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
湖南華昱瀟湘酒業有限公司 Hunan Huayu Xiaoxiang Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	27.1%	–	27.1%	Sales of liquor and spirits
河南華昱鼎立酒業有限公司 Henan Huayu Dingli Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	30.0%	–	30.0%	Sales of liquor and spirits
貴州華昱深黔酒業有限公司 Guizhou Huayu Shenqian Liquor Co., Ltd.*	Incorporated	Mainland China	RMB8,500,000	35.0%	–	35.0%	Sales of liquor and spirits
陝西華昱恒韻酒業有限公司 Shanxi Huayu Hengyun Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	23.0%	–	23.0%	Sales of liquor and spirits
北京華昱盛京酒業有限公司 Beijing Huayu Shengjing Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	28.0%	–	28.0%	Sales of liquor and spirits
廣東華昱粵海酒業有限公司 Guangdong Huayu Yuehai Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	19.0%	–	19.0%	Sales of liquor and spirits
山東華昱德泰酒業有限公司 Shandong Huayu Detai Liquor Co., Ltd.*	Incorporated	Mainland China	RMB10,000,000	31.0%	–	31.0%	Sales of liquor and spirits
貴州仁懷華昱酒業有限公司 Guizhou Renhuai Huayu Liquor Co., Ltd.*	Incorporated	Mainland China	RMB155,000,000	30.0%	–	30.0%	Manufacture of liquor and spirits

* *These entities are established in Mainland China. The English translation of the Companies' names are for references only. The official names are in Chinese.*

All of the above associates are accounted for using the equity method in the consolidated financial statements.

14 INTERESTS IN ASSOCIATES (continued)

Summarised financial information of Guizhou Renhuai Huayu Liquor Co., Ltd., a material associate of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2022 RMB'000
Gross amounts of the associate	
Current assets	**19,367**
Non-current assets	**135,127**
Current liabilities	**(82)**
Net assets	**154,412**
Revenue	**–**
Loss from continuing operations	**(588)**
Total comprehensive income	**(588)**
Reconciled to the Group's interests in the associates	
Gross amounts of net assets of the associate	**154,412**
Group's effective interest	**30.0%**
	46,324
Capital injected in advance by the Group	**40,125**
Carrying amount in the consolidated financial statements	**86,449**

During the year ended 31 December 2022, the Group altogether acquired 30% equity interests in Guizhou Renhuai at a total consideration of RMB25,000. The Group is required to pay up the registered capital of RMB150,000,000 to Guizhou Renhuai in accordance with the percentage of its equity interests in Guizhou Renhuai by 1 January 2050.

Up to 31 December 2022, the Group has injected RMB86,600,000 to Guizhou Renhuai. The other shareholders of Guizhou Renhuai will make up the shortfall of capital in accordance with their proportion of equity interests in Guizhou Renhuai.

14 INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2022 RMB'000	2021 RMB'000 (restated)
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**39,434**	34,065
Aggregate amounts of the Group's share of those associates'		
Profit from continuing operations	**4,379**	14,172
Other comprehensive income	**–**	–
Total comprehensive income	**4,379**	14,172

15 INVENTORIES

	2022 RMB'000	2021 RMB'000 (restated)
Finished goods	**159,933**	81,763

16 OTHER CURRENT ASSETS

As at 31 December 2022, other current assets mainly represent the Group's investment in an entrusted wealth management product managed by an asset management company with a principal amount of RMB10,800,000. The wealth management product is with a fixed annual return rate of 4.35% and an initial investment period of within one year.

17 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000 (restated)
Trade receivables (note (i))	**1,007**	6,069
Prepayments (note (ii))	**47,886**	114,375
Other receivables	**6,585**	22,532
	55,478	142,976

(i) Trade receivables represent toll revenue receivables from toll road operation. At 31 December 2022, all of trade receivables are aged within one month and the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the expressway.

There was no recent history of default in respect of the Group's debtors. Since the debtors are local government authorities and government agencies in Mainland China and based on past experience, management believes that no impairment allowance is necessary in respect of the trade receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. No impairment loss was recognised by the Group at 31 December 2022 (2021: Nil).

(ii) The balance as at 31 December 2022 mainly represented prepayment to suppliers of liquor and spirits business.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2022 RMB'000	2021 RMB'000 (restated)
Cash at bank and on hand	**205,659**	271,911

18 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of profit before taxation to cash generated from operating activities:

	Note	2022 RMB'000	2021 RMB'000 (restated)
Profit before taxation form continuing operations		**68,496**	128,045
Profit before taxation form discontinued Sui-Yue Expressway operation		**50,999**	65,203
Profit before taxation		**119,495**	193,248
Adjustments for:			
– Depreciation	11(a)	**6,808**	6,238
– Amortisation	12	**57,258**	57,787
– Finance costs	5(a)	**44,672**	49,307
– Interest income	4	**(3,032)**	(3,561)
– Loss on disposal of property, plant and equipment	4	**432**	160
– Loss on disposal of an associates		**–**	320
– Share of profits less losses of associates		**(4,203)**	(14,172)
– Share-based payment expense	5(b)	**1,296**	34,774
– Foreign exchange loss/(gain)	4	**4,021**	(2,064)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**71,254**	(101,740)
Increase in accruals and other payables		**1,429**	13,408
Increase/(decrease) in amounts due to related parties		**779**	(4,909)
Increase in inventories		**(78,170)**	(2,235)
Increase in contract liabilities		**12,629**	19,760
Cash generated from operating activities		**234,670**	246,321

18 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowing RMB'000 (Note 21)	Interest payable RMB'000 (Note 19)	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 1 January 2022 (restated)	987,924	1,264	2,981	992,169
Changes from financing cash flows:				
Repayment of bank loans and other borrowing	(160,000)	–	–	(160,000)
Proceeds from new bank loan	100,000	–	–	100,000
Borrowing costs paid	–	(44,672)	–	(44,672)
Capital element of lease rentals paid	–	–	(1,529)	(1,529)
Interest element of lease rentals paid	–	–	(117)	(117)
Total changes from financing cash flows	(60,000)	(44,672)	(1,646)	(106,318)
Exchange adjustments	–	–	94	94
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	104	104
Interest expenses (note 5(a))	–	44,555	117	44,672
Total other changes	–	44,555	221	44,776
Reclassification to liabilities directly associated with the assets held for sale	(877,924)	(1,146)	–	(879,070)
At 31 December 2022	50,000	–	1,650	51,650

18 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loans and other borrowing RMB'000 (Note 21)	Interest payable RMB'000 (Note 19)	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 1 January 2021 (restated)	917,169	5,483	1,879	924,531
Changes from financing cash flows:				
Repayment of bank loans and other borrowing	(982,168)	–	–	(982,168)
Proceeds from new bank loan	1,052,923	–	–	1,052,923
Borrowing costs paid	–	(53,412)	–	(53,412)
Capital element of lease rentals paid	–	–	(1,538)	(1,538)
Interest element of lease rentals paid	–	–	(114)	(114)
Total changes from financing cash flows	70,755	(53,412)	(1,652)	15,691
Exchange adjustments	–	–	(30)	(30)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	2,670	2,670
Interest expenses (note 5(a))	–	49,193	114	49,307
Total other changes	–	49,193	2,784	51,977
At 31 December 2021 (restated)	987,924	1,264	2,981	992,169

18 CASH AND CASH EQUIVALENTS (continued)

(d) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprises the following:

	2022 RMB'000	2021 RMB'000 (restated)
Within operating cash flows	**173**	265
Within financing cash flows	**1,646**	1,652
	1,819	1,917

These amounts relate to the following:

	2022 RMB'000	2021 RMB'000 (restated)
Lease rentals paid	**1,819**	1,917

19 ACCRUALS AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000 (restated)
Construction payables	**5,537**	42,156
Receipts in advance	**–**	410
Payroll and other staff benefits payable	**7,544**	8,606
VAT and surcharges	**1,175**	6,788
Interest payable	**–**	1,264
Other payables	**10,438**	19,185
	24,694	78,409

All of the accruals and other payables are expected to be settled or recognised as income within one year.

20 CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000 (restated)
Advances from sales of Liquor and spirits	**37,936**	25,307

The Group receives deposits from customers, which are recognised as contract liabilities until control over the goods were transferred to the customers.

Typical payment terms which impact on the amount of contract liabilities are the receipts in advance for the sales of liquor and spirits.

All the contract liabilities as at 31 December 2021 are recognised as revenue during the year ended 31 December 2022. The Group expects that the contract liabilities as at 31 December 2022 will be recognised as revenue within one year.

21 BANK LOANS AND OTHER BORROWING

	2022 RMB'000	2021 RMB'000 (restated)
Current liabilities		
Current portion of long-term secured bank loans	**–**	80,000
Short-term bank loan	**50,000**	30,000
Subtotal	**50,000**	110,000
Non-current liabilities		
Long-term secured bank loans	**–**	877,924
Total	**50,000**	987,924

21 BANK LOANS AND OTHER BORROWING (continued)

At 31 December, the bank loans and other borrowing were repayable as follows:

	2022 RMB'000	2021 RMB'000 (restated)
Within 1 year or on demand	**50,000**	110,000
After 1 year but within 2 years	**–**	80,000
After 2 years but within 5 years	**–**	240,000
After 5 years	**–**	557,924
	50,000	987,924

As at 31 December 2022, the short-term bank loan of RMB50,000,000 borrowed by a subsidiary of the Group was guaranteed by the Company.

22 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	2022		2021	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000 (restated)	Total minimum lease payments RMB'000 (restated)
Within 1 year	**1,387**	**1,620**	1,468	1,579
After 1 year but within 2 years	**263**	**268**	1,250	1,293
After 2 years but within 5 years	**–**	**–**	263	268
	263	**268**	1,513	1,561
	1,650	**1,888**	2,981	3,140
Less: total future interest expenses		**(238)**		(159)
Present value of lease liabilities		**1,650**		2,981

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position

	2022 RMB'000	2021 RMB'000 (restated)
PRC Corporate Income Tax	**1,983**	8,447

(b) Deferred tax assets

The components of deferred tax assets recognised in the consolidate statement of financial position and the movement during the year are as follows:

	Intangible asset-service concession arrangement RMB'000	Estimated liabilities RMB'000	Deductible tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021 (restated)	118,501	–	3,839	22	122,362
(Charged)/credited to profit or loss (note 6(a))	(5,803)	–	(3,839)	1,295	(8,347)
At 31 December 2021 (restated)	112,698	–	–	1,317	114,015
At 1 January 2022 (restated)	**112,698**	**–**	**–**	**1,317**	**114,015**
(Charged)/credited to profit or loss (note 6(a))	**(2,773)**	**2,250**	**–**	**65**	**(458)**
Reclassification to assets held for sale	**(109,925)**	**(2,250)**	**–**	**–**	**(112,175)**
At 31 December 2022	**–**	**–**	**–**	**1,382**	**1,382**

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of deductible temporary differences of RMB10,224,000 (2021: RMB2,843,000) and cumulative tax losses of RMB72,530,000 (2021: RMB62,306,000) as it is not probable that future taxable profits against which the temporary differences losses can be utilised will be available in the relevant tax jurisdiction and entity.

As at 31 December 2022, tax losses of RMB88,000 (2021: RMB42,000) in Mainland China will expire in five years from the dates they were incurred, if unused.

As at 31 December 2022, tax losses of RMB72,442,000 (2021: RMB62,264,000) in Hong Kong do not expire under current Hong Kong tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2022, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB158,259,000 (2021: RMB118,061,000). Deferred tax liabilities of RMB15,826,000 (2021: RMB11,806,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021 (restated)	3,634	71,798	449,642	(38,518)	(359,042)	127,514
Changes in equity for 2021:						
Loss for the year	–	–	–	–	(16,048)	(16,048)
Other comprehensive income	–	–	–	(3,340)	–	(3,340)
Total comprehensive income for the year	–	–	–	(3,340)	(16,048)	(19,388)
Dividends declared in respect of the current year	–	(20,311)	–	–	–	(20,311)
Equity settled share-based transactions	–	–	33,476	–	–	33,476
Balance at 31 December 2021 (restated)	3,634	51,487	483,118	(41,858)	(375,090)	121,291
Balance at 1 January 2022 (restated)	**3,634**	**51,487**	**483,118**	**(41,858)**	**(375,090)**	**121,291**
Changes in equity for 2022:						
Loss for the year	**–**	**–**	**–**	**–**	**(7,593)**	**(7,593)**
Other comprehensive income	**–**	**–**	**–**	**10,941**	**–**	**10,941**
Total comprehensive income for the year	**–**	**–**	**–**	**10,941**	**(7,593)**	**3,348**
Balance at 31 December 2022	**3,634**	**51,487**	**483,118**	**(30,917)**	**(382,683)**	**124,639**

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

Dividends payable to equity shareholders of the Company:

	2022 RMB'000	2021 RMB'000 (restated)
Special interim dividend	**–**	20,311
Special interim dividend proposed after the end of the reporting period	**43,767**	–

On 31 May 2021, the Board of the Company declared a special interim dividend of HKD0.06 (equivalent to RMB0.05) per share to the equity shareholders of the Company.

On 2 March 2023, the Board of the Company declared a special interim dividend of HKD0.121 (equivalent to RMB0.106) per share to the equity shareholders of the Company. The special dividend has not been recognised as a liability at the end of the reporting period.

(c) Share capital

Details of the Company's share capital are as follows:

	Number of shares	**Amount** $'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2021, 31 December 2021 and 31 December 2022	10,000,000,000	100,000

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

	Number of shares	Amount $'000	Amount RMB'000 (equivalent)
Ordinary shares of HK$0.01 each			
Ordinary shares, issued and fully paid:			
As at 1 January 2021, 31 December 2021 and 31 December 2022	412,608,000	4,126	3,634

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business. Pursuant to the 134 of articles of association of the Company, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(ii) Statutory reserve

Pursuant to applicable PRC regulations, PRC subsidiaries are required to appropriate 10% of their profit after taxation (after offsetting prior years' losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Other reserve

Other reserve includes:

(1) the difference between the historical carrying value of the shares acquired and the acquisition consideration paid by the Company in respect of the combining entities in which the common control combination occurs;

(2) the difference between the assigned receivable balances over the nominal value of the shares issued by the Company in exchange pursuant to the Group's reorganisation before its initial public offering; and

(3) the differences between the fair value of consideration and the net book value of equity interest and other directly related transaction costs for the acquisition and disposal of interest of subsidiaries from and to non-controlling interest respectively.

(iv) Share-based compensation reserve

(1) Restricted Share Award Scheme in 2019

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employee as consideration for equity instruments (restricted shares) of a subsidiary. The restricted shares are recognised for the difference between the grant price and the fair value of the restricted shares at the grant date.

The executive director of a subsidiary approved the Restricted Share Award Scheme (the "Award Scheme") on 18 June 2019 and 30 July 2019 respectively (the "Grant Date"). Subsequently the restricted shares were allotted to the selected participants. Selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the data of the allotted of the restricted shares to the vesting date (both dates inclusive) of such restricted shares.

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(iv) Share-based compensation reserve (continued)

(1) Restricted Share Award Scheme in 2019 (continued)

The selected participants are management of subsidiaries. The total consideration of the restricted shares is RMB6,500,000.

If the selected participant does not meet the vesting conditions, the restricted share will be repurchase based on the net asset of the subsidiary. All restricted shares have been awarded to the selected participants and no restricted shares were granted during the year ended 31 December 2022 (2021: Nil).

The above transaction was considered as equity-settled share-based payment to employee. The fair value of the subsidiary's shares allotted to employee on grant date, as determined by a professional valuation firm, was RMB12,461,800. Share-based payment expense of RMB1,298,000 was recognised for the year ended 31 December 2022 (2021: RMB1,298,000).

(2) Share Option Scheme in 2021

The Company has a share option scheme approved and adopted on 11 June 2020 ("Share Option Scheme"), pursuant to which share options may be granted to certain employees, directors and officers of the Group to subscribe for the ordinary shares of HK$0.01 each of the Company, subject to a maximum of 10% of the total number of shares in issue as at the date of the passing of the relevant ordinary resolution approving the Share Option Scheme.

On 28 December 2021, the Company granted share options to 2 executive directors, the chairman of the liquor and spirits trading business group of the Company and 42 employees of the Group (the "Grantees") the right to subscribe for a total of 40,000,000 shares of the Company, which represents approximately 9.69% of the Company's issued share capital at the date of grant. The exercise price is HK$2.89 per share option. These share options have no vesting period and will be exercisable until the last day of the one year period after the date of grant, subject to the terms and conditions described in the offer letter at the time of the grant of the share options.

No share options were granted or exercised in 2022. The 40,000,000 share options granted in 2021 were expired and lapsed in 2022. There were no share option outstanding under the Share Option Scheme as at 31 December 2022 (2021: 40,000,000).

24 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations. The reserve is dealt with in accordance with the accounting policy as set out in note 1(u).

(vi) Distributable reserve

At 31 December 2022, the aggregate amount of reserves declared and available for distribution to equity shareholders of the Company was RMB121,005,000 (2021: RMB117,657,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders in the long run, by pricing services commensurately with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-equity ratio, excluding the debt included in the disposal group. For this purpose, total debt includes interest-bearing loans and borrowings and lease liabilities of the Group but excludes those debt included in the disposal group. Equity comprises all components of equity.

The debt-to-equity ratio of the Group at 31 December 2022 and 2021 is as follows:

	2022 **RMB'000**	2021 RMB'000 (restated)
Total debt	**51,650**	990,905
Total equity	**803,030**	718,076
Debt-to-equity ratio	**6%**	138%

25 COMMITMENTS

Commitments outstanding at 31 December 2022 not provided for in the annual financial statements were as follows:

	2022 **RMB'000**	2021 RMB'000 (restated)
Investment in an associate	**63,400**	–

26 FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, and cash at bank and on hand. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

To measure ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information. Given the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the expressways, management considered the default rate of trade receivables to be minimal and the expected credit loss rate of local government authorities and government agencies to be nil. As a result, no provision for impairment of trade receivables is necessary.

Sales from liquor and spirits are mainly settled by advances from customers. Accordingly, there is no significant credit risk related to these customers.

As a result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers.

26 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash, adequate committed lines of funding from major financial institutions and support from the controlling shareholder of the Company to meet its liquidity requirements in the short and longer term. The Company can control the dividend policy of the subsidiaries and request the subsidiaries to declare dividends should the Company need to fulfil its payment obligations.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities (excluding the liabilities directly associated to assets held for sale), which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2022						
Accruals and other payables (excluding receipts in advance)	24,694	–	–	–	24,694	24,694
Lease liabilities	1,620	268	–	–	1,888	1,650
Amounts due to related parties	4,086	–	–	–	4,086	4,086
Amount due to the controlling shareholder of the Company	91,091	–	–	–	91,091	91,091
Bank loans and other borrowing	50,000	–	–	–	50,000	50,000
	171,491	268	–	–	171,759	171,521

26 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
2021 (restated)						
Accruals and other payables (excluding receipts in advance)	77,999	–	–	–	77,999	77,999
Lease liabilities	1,579	1,293	268	–	3,140	2,981
Amounts due to related parties	3,498	–	–	–	3,498	3,498
Amount due to the controlling shareholder of the Company	–	–	–	83,375	83,375	83,375
Bank loans and other borrowing	153,753	119,696	336,527	640,740	1,250,716	987,924
	236,829	120,989	336,795	724,115	1,418,728	1,155,777

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rates risk arises primarily from bank loans and other borrowings issued at variable rates that expose the Group to cash flow interest rate risk. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements.

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. The Group's interest rate profile as monitored by management is set out in below:

26 FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting year.

	2022 Effective interest rate %	2022 Amount RMB'000	2021 Effective interest rate %	2021 Amount RMB'000 (restated)
Variable rate instruments:				
Long-term secured bank loans	–	–	4.750	957,924
Short-term bank loan	**3.900**	**50,000**	4.850	30,000
Total net borrowings		**50,000**		987,924

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and accumulated losses by approximately RMB94,000 in response to the general increase/decrease in interest rates (2021 (restated): RMB1,852,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year (and accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2021.

(d) Currency risk

The Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the functional currency of the operations in which they relate. Accordingly, the Group does not expose to significant currency risk as at 31 December 2021 and 2022.

27 CONTINGENT LIABILITIES

Financial guarantees issued

As at 31 December 2022, the Company has issued guarantees to certain banks in respect of the credit facility granted to Daoyue and Healthy Wine. As at 31 December 2022, the directors do not consider it probable that a claim will be made against the Company under any of the guarantee. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the bank loans borrowed by Daoyue and Healthy Wine of RMB927,924,000 (2021: RMB987,924,000). The guarantee in respect of bank loans borrowed by Daoyue will be released after the completion of disposal of Daoyue.

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was nil.

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Particulars of significant transactions between the Group and related parties during the year are as follows:

	2022 **RMB'000**	2021 RMB'000 (restated)
Sales to associates	**143,255**	265,136
Expense paid on behalf by		
– Companies controlled by the ultimate controlling shareholder	**1,930**	1,603
– Non-controlling interest	**250**	230
Rendering of services to a company by A company controlled by non-controlling interest	**795**	386
Receiving services from companies controlled by		
– The ultimate controlling shareholder	**922**	1,226
Dividend of a subsidiary paid to		
– Non-controlling interest	**–**	6,232
– A company controlled by the ultimate controlling shareholder	**–**	9,348
Repayment to		
– Non-controlling interest	**–**	103,297
Interest on borrowing from a non-controlling interest	**–**	1,603
Disposal of partial equity interest in a subsidiary to entity controlled by chairman of the liquor and spirits trading business group of the Group	**–**	19,714

28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

As at the end of the reporting period, the Group had the following balances with related parties:

	2022 RMB'000	2021 RMB'000 (restated)
Amounts due from related parties		
Non-trade		
– Companies controlled by the ultimate controlling shareholder	**2,370**	2,370
– Non-controlling interest	**18,844**	23,358
Trade		
– An associate	**–**	4,030
	21,214	29,758
Amounts due to related parties		
Non-trade		
– Companies controlled by the ultimate controlling shareholder	**194**	720
– Companies controlled by non-controlling interests	**92**	20
– Non-controlling interest	**–**	58
Trade		
– Associates	**3,800**	2,700
	4,086	3,498
Liabilities directly associated with the disposal group held for sale:		
Non-trade		
– Amounts due to companies controlled by ultimate controlling shareholder	**128**	–
– Amounts due to non-controlling interest	**63**	–
	191	–
Contract liabilities		
– Associates	**21,473**	3,474
Amount due to the controlling shareholder of the Company		
Non-trade nature	**91,091**	83,375

28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2022 **RMB'000**	2021 RMB'000 (restated)
Short-term employee benefits	**6,297**	19,497

Total remuneration is included in "staff costs" (see note 5(b)).

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 RMB'000	2021 RMB'000 (restated)
Non-current assets			
Interests in subsidiaries		**167,794**	153,582
Advance to subsidiaries		**1,545**	1,414
		169,339	154,996
Current asset			
Cash and cash equivalents		**1,392**	1,274
Current liabilities			
Amounts due to subsidiaries		**36,762**	26,208
Accruals and other payables		**4,152**	4,032
Amount due to the controlling shareholder of the Company		**5,178**	–
		46,092	30,240
Net current liabilities		**(44,700)**	(28,966)
Total assets less current liabilities		**124,639**	126,030
Non-current liability			
Amount due to the controlling shareholder of the Company		**–**	4,739
NET ASSETS		**124,639**	121,291
CAPITAL AND RESERVES	24		
Share capital		**3,634**	3,634
Reserves		**121,005**	117,657
TOTAL EQUITY		**124,639**	121,291

Approved and authorised for issue by the board of directors on 30 March 2023.

30 COMPARATIVE FIGURES

As set out in note 1(c)(ii), the Group has changed the presentation currency of these financial statements from HKD to RMB. The comparative information has been restated retrospectively due to such change.

In addition, as set out in note 7, as a result of the proposed disposal of Daoyue, the comparative amounts in the consolidated statement of profit or loss have been restated as if the operations had been discontinued at the beginning of the comparative period. Certain comparative amounts in segment reporting as set out in note 3(b) have also been restated accordingly.

The combined effect of the change in presentation currency and the proposed disposal of Daoyue to the consolidated statement of profit or loss for the year ended 31 December 2021 is set out below:

	As previously reported HKD'000	**Translated to RMB*** RMB'000 (note 1(c)(ii))	**Reclassification to discontinued Sui-Yue Expressway operation** RMB'000 (note 7)	**As restated** RMB'000
Continuing operations				
Revenue	1,047,888	868,988	(180,516)	688,452
Cost of sales	(647,927)	(537,298)	57,274	(480,024)
Gross profit	399,961	331,670	(123,242)	208,428
Other revenue	6,164	5,112	(1,192)	3,920
Other net income	5,752	4,770	(2,401)	2,369
Administrative expenses	(105,355)	(87,368)	15,001	(72,367)
Selling and distribution costs	(31,113)	(25,801)	–	(25,801)
Profit from operations	275,409	228,383	(111,834)	116,549
Finance costs	(59,459)	(49,307)	46,631	(2,676)
Share of profits less losses of associates	17,090	14,172	–	14,172
Profit before taxation	233,040	193,248	(65,203)	128,045
Income tax	(71,082)	(58,944)	15,984	(42,960)
Profit from continuing operations	161,958	134,304	(49,219)	85,085
Discontinued Sui-Yue Expressway operations				
Profit from discontinued Sui-Yue Expressway operation, net of tax	–	–	49,219	49,219
Profit for the year	161,958	134,304	–	134,304

* *the consolidated statement of profit or loss for the year ended 31 December 2021 is translated at the average exchange rate of RMB1:HKD1.2059 in 2021.*

30 COMPARATIVE FIGURES (continued)

The effect of the change in presentation currency to certain categories of the consolidated statement of financial position as at 31 December 2021 and 1 January 2021 is set out below:

	31 December 2021		1 January 2021	
	As previously reported HKD'000	**As restated** RMB'000**	As previously reported HKD'000	As restated** RMB'000
Non-current assets	**1,688,205**	**1,380,267**	1,684,360	1,417,573
Current assets	**645,491**	**527,750**	435,974	366,920
Current liabilities	**(277,801)**	**(227,129)**	(264,306)	(222,442)
Non-current liabilities	**(1,177,615)**	**(962,812)**	(1,038,238)	(873,791)
Net assets	**878,280**	**718,076**	817,790	688,260

** *the consolidated statement of financial position as at 31 December 2021 and 1 January 2021 are translated at the closing exchange rate of RMB1:HKD1.2231 and RMB1:HKD1.1882 as at 31 December 2021 and 1 January 2021 respectively.*

31 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2022, the directors consider the immediate parent and ultimate controlling party of the Group to be Velocity International Limited, which is incorporated in the British Virgin Islands. The entity does not produce financial statements available for public use.

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) As disclosed in note 7, the Group entered into a sales and purchase agreement to sell its entire 60% equity interests in Daoyue. The Disposal was approved in the extraordinary shareholders' meeting of the Company on 14 February 2023.

(ii) As disclosed in note 24(b), on 2 March 2023, the Board of Directors of the Company declared a special interim dividend of HKD0.121 (equivalent to RMB0.106) per share to the ordinary shareholders of the Company.

(Expressed in Renminbi unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on these financial statements.