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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

2022 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2022 (the "Reporting Year"), the Group recorded revenue of RMB3,289 million, representing a year-on-year decrease of 11.2%. Profit attributable to shareholders amounted to RMB453 million, representing a year-on-year decrease of 69.1%. The decrease in revenue and profit was mainly attributable to the revenue decrement due to the impact of the pandemic, the prevention and control measures in response to the pandemic and the absence of the gain on disposal recognised during the Reporting Year as a result of the spin-off of Hubei Han-Xiao Expressway in 2021 (2021: RMB961.0 million).

The Board has recommended the payment of a final dividend for 2022 of HK\$0.10 per share. Together with the interim dividend of HK\$0.10 per share paid, the total dividend for the Reporting Year is HK\$0.20 per share, which is equivalent to RMB0.1744 per share, and the annual dividend payout ratio of the year is 64.4%.

ANNUAL REVIEW

Marco-Economy and Regulatory Environment of the Sector

In 2022, the global economy was affected by the challenges posed by the recurring COVID-19 pandemic and the Russia-Ukraine conflict. A number of countries, including the United States, continued to raise interest rate aggressively in advance to cope with the inflationary pressure. The International Monetary Fund (IMF) forecasted that the global economic growth rate in 2022 would be 3.4%. In the face of the combined impact of the pandemic and other unexpected factors at home and abroad, China advanced its economy while navigating challenges and surmounting difficulties. Despite the impact of the pandemic, the economy achieved reasonable growth for the year through dedicated efforts, recording a year-on-year GDP growth of 3.0%. With persistently growing resilience, China's economy is showing a promising recovery trend.

Over the past year, amid the extremely complex and harsh macro environment, the transport sector faced huge challenges from the combined adverse impact of the slowdown in economic growth, pandemic disruption and toll reduction policies. As China has crossed the peak period of the COVID-19 pandemic outbreak by the end of the year, the transport sector witnessed a rebound in December. In terms of investment in transportation infrastructure construction, according to the Ministry of Transport, in 2022, fixed asset investment in transportation was more than RMB3.8 trillion, including RMB2.9 trillion in highways, representing a year-on-year increase of 9.7%. In terms of cargo transportation supply chain, cargo volume maintained at a low level due to the impact of ongoing outbreak of COVID-19 pandemic in various provinces in the PRC and other factors. In addition, passenger volume continued to be sluggish due to the pandemic and the pandemic prevention and control measures. The China Transportation Services Index (CTSI) in December indicated that, as the pandemic evolved into a stable stage, the transportation production is expected to start a period of rapid recovery.

Development Strategies and Business Development

Facing the 14th Five-Year Plan, Yuexiu Transport is committed to becoming a leading transport infrastructure asset management company in China. The Group will build and improve the three platforms (incubation platform, listed platform, and REITs platform) under the guidance of the “3331” development strategy, enhance the three core abilities (investment ability, operation and maintenance ability, financialisation ability), adhere to focusing on three directions (expressway main business, key areas, expansion of related auxiliary businesses).

During the Reporting Year, due to the impact of the pandemic, the slowdown in macro-economic growth, the diversion of traffic to the road networks and the policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter, the Group recorded a decline of 11.2% in revenue. In particular, projects in Guangdong Province were affected by the recurring pandemic and the diversion of traffic to the surrounding road networks. Especially in the fourth quarter, Guangzhou City suffered the most complex and severe pandemic in the past three years, resulting in great impact on the revenue of the projects. The toll revenue from projects in central provinces, including Hubei Suiyuan Expressway and Henan Weixu Expressway, maintained growth during the year and showed a promising growth momentum. With the further implementation of 20 measures and 10 new measures to optimise and adjust pandemic prevention and control policy since December, the transportation industry has shown a recovery trend and the toll revenue from the Group’s projects also recovered well.

During the Reporting Year, the Group entered into agreements with Guangzhou Yue Xiu Holdings Limited to acquire 100% of the equity interest in Henan Yuexiu Lanwei Expressway Company Limited* (河南越秀蘭尉高速公路有限公司). The transaction was approved by the independent shareholders at the special general meeting held on 18 November 2022 and completion of which took place on the same day. The acquisition is an important practice for the interaction between the incubation platform and the listed platform. In line with its regional expansion strategy, the Group has made further investment in central provinces to share the benefits from economic growth, which will optimise its asset allocation in the region and enhance its ability to resist risks.

During the Reporting Year, Guangzhou North Second Ring (“GNSR”) Transport Technology Company Limited obtained the approval in principle from the Guangdong Provincial Development and Reform Commission for the GNSR Expressway R&E Project and commenced the construction of the preliminary portion. Baiyun District and Huangpu District land expropriation agreements of the project were approved by the shareholders at the special general meeting held on 10 January 2023. GNSR Expressway, as the artery for the transportation in the north of Guangzhou City, plays a major role in the Group. The Group is of the view that the reconstruction and expansion of the GNSR Expressway can effectively improve the asset quality, extend the remaining operating period, expand the scale of the Group’s expressway assets, enhance the Group’s future development capacity of its principal toll road business, and further strengthen the Group’s core advantages in the investment, construction and operation of toll roads. Using funds recovered from the REITs to invest in the R&E Project is an important practice for the interaction between the REITs platform and the listed platform.

Going forward, the Group will also continue to grasp the policy opportunities of the public offering of infrastructure REITs, and adhere to improving the strategies of “investment, financing, management and retreat”.

The Group has always maintained sound operation and a healthy financial condition. During the Reporting Year, the Group maintained investment-grade ratings from international rating agencies Moody’s and Fitch. In particular, Moody’s maintained the Group’s investment grade rating of Baa2, while Fitch upgraded the Group’s investment grade rating from BBB- to BBB.

FUTURE PROSPECT AND OUTLOOK

Outlook of Macro-Economy and Industry Development Prospect

From a global perspective, efforts to curb inflation and the Russia-Ukraine conflict exerted pressure on global economic activities in 2023. However, the rapid reopening of China has paved the way for a rapid rebound in economic activities. Global financial environment is expected to improve as inflationary pressures begin to subside. In January 2023, the IMF released its updated World Economic Outlook report, which projects a global economic growth of 2.9% in 2023, with China and India being the key engines of economic growth for the year. In 2023, the pandemic situation, inflation trends and geopolitics remain highly uncertain. Despite the efforts to curb inflation over the past year, the monetary policies of various countries are still subject to uncertainties in the near future as the international market is still exposed to the risk of changes. The two-way fluctuation of exchange rate of RMB against USD is expected to continue with lower volatility.

The Chinese economy is also under pressure in the context of elevated uncertainty towards the global economic growth outlook. However, in the long run, China's economy remains resilient. On 28 January 2023, the State Council executive meeting concluded that, in 2023, solid steps will be taken to ensure effective implementation of the policy package for stabilising the economy and its follow-up measures; key projects and equipment upgrading and renovation supported by fiscal and financial policy tools will be advanced to generate more physical gains; and policies to extend the duration of VAT relief for small-scale taxpayers and inclusive loans granted to micro and small businesses will be effectively implemented, which will consolidate and expand the momentum of economic rebound.

Featuring high efficiency, safety and flexibility, toll roads are an important part of the modern comprehensive transportation system, and are of great significance to the long-term development of the domestic economy. "14th Five-Year Plan for the Development of Modern Comprehensive Transportation System" (《「十四五」現代綜合交通運輸體系發展規劃》) clearly targets that by 2025, the comprehensive transportation will basically achieve integrated development and transportation development will move towards world-class level. Looking forward to 2035, a modern, high-quality national comprehensive three-dimensional transportation network will be basically established, and China will then build itself into a country with strong transportation network. On 7 December, the State Council's Joint Prevention and Control Mechanism Comprehensive Team issued the "Circular on Further Optimising the Implementation of COVID-19 Prevention and Control Measures" (《關於進一步優化落實新冠肺炎疫情防控措施的通知》), which meant a progressive lift of the control measures on prevention of the pandemic. Benefiting from the optimisation and adjustment of pandemic prevention and control measures, the revenue of most projects under the Group has rebounded since December. The statistics of 2023 Spring Festival travel rush reflects the resilience of China's economy and people's demand for travel following the adjustment of pandemic prevention and control measures. Since 2023 Spring Festival travel rush, the traffic volume of the Group's toll roads showed double-digit growth as compared to that in the same periods in 2022 and 2019. With the rising income levels and the increasing travel demand, room for growth in car ownership, steady growth in freight transport along with the social economy development, the operating performance of expressway assets remains promising. Taking into account the above factors, the Group remains optimistic about the development prospects of the industry.

Investment Opportunities

The GNSR Expressway R&E Project is a strategic construction project of the Group with the largest investment and that is the most difficult in recent years. The Group will continue to spare no effort in the GNSR Expressway R&E Project to ensure that the project progresses as planned and in accordance with the laws and regulations. Currently, the Guangzhou Municipal Government has established a command center for the GNSR Expressway R&E Project to facilitate the overall planning and progress of the project, aiming at ensuring the comprehensive implementation of land expropriation and construction works for the project. It is expected that the main construction of the GNSR Expressway R&E Project will commence in June 2023 and be completed in 2028.

The Group will continue to grasp the strategic opportunity period for expressway investment and mergers and acquisitions. Gaining its foothold in Guangdong, Hong Kong and Macau Greater Bay Area and Central China and expanding its presence in other developing areas benefiting from continued urbanisation and industrialisation going forward, the Group insists on strengthening and expanding its infrastructure business mainly based on toll roads.

APPRECIATION

During the Reporting Year, our directors, senior management and all our staff continued to adhere to their pragmatic, diligent and resolute working attitude, in pursuit of excellent performance and quality work. On behalf of all members of our Group, I would like to express my gratitude and appreciation to all our shareholders, banks, business community and partners for their dedicated support over the years.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	2	3,288,923	3,702,276
Cost of services	4, 5	(1,569,535)	(1,479,030)
Construction income under service concession upgrade services		283,987	179,847
Construction costs under service concession upgrade services		(283,987)	(179,847)
Other income, gains and losses - net	3	45,973	800,120
General and administrative expenses	4, 5	(310,419)	(369,664)
Operating profit		1,454,942	2,653,702
Finance income	6	63,617	43,884
Finance costs	6	(625,483)	(743,027)
Share of result of a joint venture, net of tax		53,257	76,917
Share of results of associates, net of tax		119,007	186,874
Profit before income tax		1,065,340	2,218,350
Income tax expense	7	(327,529)	(425,656)
Profit for the year		737,811	1,792,694
Attributable to:			
Shareholders of the Company		453,114	1,464,984
Non-controlling interests		284,697	327,710
		737,811	1,792,694
Earnings per share for profit attributable to the shareholders of the Company	8	RMB	RMB
Basic earnings per share		0.2708	0.8756
Diluted earnings per share		0.2708	0.8752

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	RMB'000
Profit for the year	<u>737,811</u>	<u>1,792,694</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in subsequent period:</i>		
Currency translation differences	2,245	276
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	(655)	(14,076)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	—	10,471
	<u>(655)</u>	<u>(3,605)</u>
Other comprehensive income/(loss) for the year	<u>1,590</u>	<u>(3,329)</u>
Total comprehensive income for the year	<u>739,401</u>	<u>1,789,365</u>
Total comprehensive income attributable to:		
Shareholders of the Company	454,704	1,461,655
Non-controlling interests	284,697	327,710
	<u>739,401</u>	<u>1,789,365</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights		30,641,331	29,186,460
Goodwill		514,577	514,577
Property, plant and equipment		41,497	39,125
Other intangible assets		16,944	8,444
Investment properties		38,584	37,900
Right-of-use assets		15,250	20,722
Investment in a joint venture		463,763	481,431
Investments in associates		1,823,180	2,079,497
Loan to an associate		6,406	—
		<u>33,561,532</u>	<u>32,368,156</u>
Current assets			
Trade receivables	10	127,730	153,028
Other receivables, deposits and prepayments	10	156,451	139,963
Amounts due from associates		11,430	81,387
Cash and cash equivalents		2,480,267	2,918,574
		<u>2,775,878</u>	<u>3,292,952</u>
Total assets		<u>36,337,410</u>	<u>35,661,108</u>
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		11,083,123	11,364,193
		<u>11,230,445</u>	<u>11,511,515</u>
Non-controlling interests		<u>3,004,530</u>	<u>2,961,234</u>
Total equity		<u>14,234,975</u>	<u>14,472,749</u>

	Notes	2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		6,821,973	7,613,246
Notes payable		1,998,463	2,498,220
Corporate bonds		2,499,094	3,112,693
Contract liabilities and deferred revenue		292,754	312,584
Deferred income tax liabilities		3,052,185	3,046,469
Lease liabilities		5,141	11,314
		<u>14,669,610</u>	<u>16,594,526</u>
Current liabilities			
Borrowings		2,625,674	2,318,081
Notes payable		3,109,011	1,074,013
Corporate bonds		689,200	73,932
Amount due to a non-controlling interest of a subsidiary		1,611	1,611
Amounts due to holding companies		—	2,613
Trade and other payables and accrued charges	11	921,901	990,929
Contract liabilities and deferred revenue		23,252	25,573
Lease liabilities		10,833	10,130
Derivative financial instruments		—	26,758
Current income tax liabilities		51,343	70,193
		<u>7,432,825</u>	<u>4,593,833</u>
Total liabilities		<u>22,102,435</u>	<u>21,188,359</u>
Total equity and liabilities		<u>36,337,410</u>	<u>35,661,108</u>

NOTES

1 Basis of preparation

(i) Compliance with HKFRSs and HKCO

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”).

(ii) Going concern consideration

As at 31 December 2022, the Group’s current liabilities exceeded its current assets by RMB4,656,947,000. The Group’s current liabilities primarily comprise current portion of borrowings, notes payable, corporate bonds, and trade and other payables and accrued charges of RMB2,625,674,000, RMB3,109,011,000, RMB689,200,000 and RMB921,901,000, respectively. Notwithstanding the above, the directors of the Company are confident that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the banking facilities, unutilised quota for the issuance of corporate bonds and super short-term commercial paper and multiple types of debt financing instruments available to the Group and the internally generated funds from operations. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(iii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) and investment properties which are measured at fair value.

(iv) New standards, amendments to standards

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3
Amendments to HKAS 16

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before
Intended Use

Amendments to HKAS 37
Annual Improvements to
HKFRSs 2018-2020

Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples
accompanying HKFRS 16, and HKAS 41

The above amendments effective for the financial year beginning on 1 January 2022 do not have a material impact on the Group.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

		Effective for accounting periods beginning on or after
New standards, amendments		
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced
HKFRS 17	<i>Insurance Contracts</i>	1 January 2023
Amendments to HKFRS 17	<i>Insurance Contracts*</i>	1 January 2023
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information**</i>	1 January 2023
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)***)***</i>	1 January 2024
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024

* As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

** An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17.

*** As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion.

Management considers that the adoption of the above mentioned new standards, amendments are not expected to have a material impact on the Group in future reporting periods when they become effective.

2 SEGMENT INFORMATION

The Group is principally engaged in the operation and management of toll highways and bridges in the PRC.

The chief operating decision-maker (the “CODM”) has been identified as the Executive Directors. The Executive Directors review the Group’s internal reporting in order to assess performance of the Group’s main reporting segment – Toll highways and bridges projects in the PRC. The Executive Directors assess the performance of this main reporting segment based on measurement of profit after income tax for the year. Other operations mainly comprise investment and others. None of these operations constitutes a separate segment. There have been no sales carried out between segments. The financial information provided to the CODM is measured in a manner consistent with that of the consolidated financial statements.

	Toll roads operations RMB’000	All other segments RMB’000	Total RMB’000
Year ended 31 December 2022			
Revenue (from external customers)			
– Toll revenue	3,193,138	—	3,193,138
– Other toll operating income	5,480	—	5,480
– Income from service area and gas station	34,408	—	34,408
– Entrusted road management service income	32,114	—	32,114
– Construction service income	23,783	—	23,783
	<u>3,288,923</u>	<u>—</u>	<u>3,288,923</u>
Amortisation of			
– Intangible operating rights	(1,146,491)	—	(1,146,491)
– Other intangible asset	(5,599)	—	(5,599)
Depreciation of			
– Property, plant and equipment	(11,491)	(650)	(12,141)
– Right-of-use assets	(11,118)	—	(11,118)
Other compensation income	28,494	—	28,494
Government subsidy	3,769	—	3,769
	<u>1,456,484</u>	<u>(1,542)</u>	<u>1,454,942</u>
Operating profit/(loss)			
Finance income	63,617	—	63,617
Finance costs	(625,483)	—	(625,483)
Share of result of a joint venture, net of tax	53,257	—	53,257
Share of results of associates, net of tax	126,909	(7,902)	119,007
	<u>1,074,784</u>	<u>(9,444)</u>	<u>1,065,340</u>
Profit/(loss) before income tax			
Income tax expense	(327,529)	—	(327,529)
	<u>747,255</u>	<u>(9,444)</u>	<u>737,811</u>
Profit/(loss) for the year			

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2021			
Revenue (from external customers)			
– Toll revenue	3,649,754	—	3,649,754
– Other toll operating income	12,053	—	12,053
– Income from service area and gas station	40,469	—	40,469
	<u>3,702,276</u>	<u>—</u>	<u>3,702,276</u>
Amortisation of			
– Intangible operating rights	(1,061,270)	—	(1,061,270)
– Other intangible asset	(1,884)	—	(1,884)
Depreciation of			
– Property, plant and equipment	(13,167)	(677)	(13,844)
– Right-of-use assets	(10,665)	(336)	(11,001)
Other compensation income	10,824	—	10,824
Government subsidy	14,169	—	14,169
Impairment of intangible operating right	(97,302)	—	(97,302)
Impairment of investment in an associate	(128,186)	—	(128,186)
Gain on disposal of a subsidiary	960,976	—	960,976
	<u>2,653,296</u>	<u>406</u>	<u>2,653,702</u>
Operating profit	2,653,296	406	2,653,702
Finance income	43,884	—	43,884
Finance costs	(743,027)	—	(743,027)
Share of result of a joint venture, net of tax	76,917	—	76,917
Share of results of associates, net of tax	196,300	(9,426)	186,874
	<u>2,227,370</u>	<u>(9,020)</u>	<u>2,218,350</u>
Profit/(loss) before income tax	2,227,370	(9,020)	2,218,350
Income tax expense	(425,656)	—	(425,656)
	<u>1,801,714</u>	<u>(9,020)</u>	<u>1,792,694</u>
Profit/(loss) for the year	1,801,714	(9,020)	1,792,694

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Assets and liabilities			
As at 31 December 2022			
Total segment assets	36,246,753	90,657	36,337,410
Acquisition of a subsidiary	1,098,000	—	1,098,000
Addition to non-current assets (other than financial instruments)	304,418	17	304,435
Total segment assets include:			
Investment in a joint venture	463,763	—	463,763
Investments in associates	1,766,823	56,357	1,823,180
Total segment liabilities	<u>(22,102,225)</u>	<u>(210)</u>	<u>(22,102,435)</u>
As at 31 December 2021			
Total segment assets	35,563,329	97,779	35,661,108
Addition to non-current assets (other than financial instruments)	193,736	1,702	195,438
Total segment assets include:			
Investment in a joint venture	481,431	—	481,431
Investments in associates	2,015,237	64,260	2,079,497
Total segment liabilities	<u>(21,188,074)</u>	<u>(285)</u>	<u>(21,188,359)</u>

All major operating entities are domiciled in the PRC. All revenues of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. Thus, no geographic information is presented.

Information about the Group's performance obligations is summarised below:

Toll revenue and other toll operating income

The performance obligation is satisfied when the relevant services have been provided upon the completion of passing through the road and bridge. Payment is due immediately when the service is provided.

Income from service area and gas station

The performance obligation is satisfied over time on a straight-line basis over the service period. Payment in advance is normally required for income from service area and gas station.

Entrusted road management service income

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are billed based on the time incurred.

Construction service income

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

3 OTHER INCOME, GAINS AND LOSSES – NET

	2022	2021
	RMB'000	RMB'000
Fair value (loss)/gain on investment properties	(1,383)	1,404
Gain/(loss) on disposal of property, plant and equipment	653	(211)
Compensation for expressways and bridges damages	7,531	28,432
Other compensation income (note a)	28,494	10,824
Management service income	2,620	6,035
Government subsidy (note b)	3,769	14,169
Others	4,289	3,979
Gain on disposal of a subsidiary	—	960,976
Impairment of intangible operating right	—	(97,302)
Impairment of investment in an associate	—	(128,186)
	<u>45,973</u>	<u>800,120</u>

Notes:

- (a) The amount mainly represented compensation from third parties and the government on requisition of land and demolition of plants and other greening facilities.
- (b) During the year ended 31 December 2022, the Group did not receive a one-off non-assets related government subsidy from the Guangzhou Municipal Bureau of Commerce and the Wuhan Municipal Bureau of Commerce (2021: RMB5,999,000 and RMB4,660,000, respectively).

4 EXPENSES BY NATURE

Expenses included in cost of services and general and administrative expenses primarily comprise the following items:

	2022	2021
	RMB'000	RMB'000
Taxes and surcharges	20,580	19,073
Amortisation of		
– Intangible operating rights	1,146,491	1,061,270
– Other intangible asset	5,599	1,884
Depreciation of		
– Property, plant and equipment	12,141	13,844
– Right-of-use assets	11,118	11,001
Employee benefit expense (note 5)	392,129	437,441
Toll highways and bridges maintenance expenses	119,613	121,334
Toll highways and bridges operating expenses	111,354	105,737
Auditor's remuneration		
– Audit services	2,950	2,700
– Non-audit services	1,595	386
Legal and professional fees	19,179	34,580

5 EMPLOYEE BENEFIT EXPENSE

	2022	2021
	RMB'000	RMB'000
Staff costs (including directors' emoluments)		
– Wages and salaries	278,244	331,617
– Pension costs (defined contribution plan) (note)	37,918	32,187
– Social security costs	36,856	36,585
– Staff welfare and other benefits	34,626	36,057
– Equity-settled share option expense	4,485	995
	<u>392,129</u>	<u>437,441</u>
Total employee benefit expense	<u>392,129</u>	<u>437,441</u>

Employee benefit expenses are included in “cost of services” and “general and administrative expenses” of RMB172,830,000 (2021: RMB165,840,000) and RMB219,299,000 (2021: RMB271,601,000) respectively in the consolidated statement of profit or loss.

Note:

Subsidiaries of the Company in the PRC are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Governments.

The Group also participates in the Mandatory Provident Fund Scheme (“MPF Scheme”) for other Hong Kong employees. The Group's MPF Scheme contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HKD1,500 (equivalent to RMB1,301) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HKD7,100 per month (equivalent to RMB6,158). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

There was no forfeited contribution as at 31 December 2022 (2021: Nil). No forfeited contribution was utilised during the year (2021: Nil). Contributions totalling RMB37,918,000 (2021: RMB32,187,000) were payable to the fund during the year. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6 FINANCE INCOME/(COSTS)

	2022	2021
	RMB'000	RMB'000
Bank interest income	63,609	38,167
Interest income on other non-current receivables	8	1,828
Net other exchange gain	—	3,889
	<u>63,617</u>	<u>43,884</u>
Finance income		
Interest expenses:		
– Bank borrowings	(313,381)	(459,608)
– Other borrowing	(3,058)	(15,839)
– Bank facility fees	(9,446)	(3,573)
– Loan from the immediate holding company	(34)	—
– Loan from a joint venture	(324)	(5,920)
– Loans from non-controlling interests of certain subsidiaries	(81)	(76)
– Notes payable	(166,614)	(127,402)
– Corporate bonds	(111,956)	(107,965)
– Lease liabilities	(729)	(1,636)
Net other exchange loss	(1,599)	—
Others	(18,261)	(21,008)
	<u>(625,483)</u>	<u>(743,027)</u>
Finance costs		

7 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2021: Nil).
- (b) During the year ended 31 December 2022, PRC enterprise income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the year ended 31 December 2022 is 25% (2021: 25%). Guangzhou North Second Ring Transport Technology Company Limited (“GNSR”), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2018. During the year ended 31 December 2021, the preferential tax treatment of income tax has been extended to the year ended 31 December 2023. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2013 and extended to the year ended 31 December 2030 during the year ended 31 December 2020.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for dividend distributed for reinvestment and undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2021: 5% or 10%).

As at 31 December 2022, deferred tax liabilities of RMB110,739,000 (2021: RMB113,942,000) were not recognised in respect of withholding tax on the unremitted earnings of certain entities in the PRC, as these earnings are expected to be reinvested in the PRC.

- (c) The amount of income tax charged/(credited) to the consolidated statement of profit or loss represents:

	2022	2021
	RMB'000	RMB'000
Current income tax		
PRC enterprise income tax	347,866	480,970
Deferred income tax	(20,337)	(55,314)
	<u>327,529</u>	<u>425,656</u>

The tax on the Group's profit before income tax less share of results of associates and a joint venture differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2022	2021
	RMB'000	RMB'000
Profit before income tax	1,065,340	2,218,350
Less: share of results of associates, net of tax	(119,007)	(186,874)
Less: share of result of a joint venture, net of tax	(53,257)	(76,917)
	<u>893,076</u>	<u>1,954,559</u>
Calculated at a tax rate of 25% (2021: 25%)	223,269	488,640
Income not subject to tax	(2,413)	(82,704)
Expenses not deductible for tax purposes	58,079	129,329
Profit of subsidiaries with preferential tax treatment	(81,281)	(95,318)
Tax losses not recognised (note (i))	88,541	77,746
Utilisation of previously unrecognised tax losses	(145)	(90,266)
Adjustments in respect of current tax of previous periods	6,414	(2,559)
Effect of income tax on the distributable profits of subsidiaries and associates	31,839	17,816
Withholding tax on the interest income from subsidiaries established in Mainland China	3,226	—
Effect of change in tax rate on the balance of deferred tax	—	(17,028)
	<u>327,529</u>	<u>425,656</u>
Income tax expense	327,529	425,656

Note:

- (i) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB139,255,000 (2021: RMB72,377,000) in respect of unused losses amounting to approximately RMB557,019,000 (2021: RMB289,508,000). Unused tax losses of approximately RMB124,296,000 (2021: RMB81,291,000) will expire in 1 year and the remaining unused tax losses will expire prior to 2027.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,673,162,000 (2021: 1,673,162,000) during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the share options, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to shareholders of the Company used in the basic earnings per share calculation (RMB'000)	<u>453,114</u>	<u>1,464,984</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ('000)	1,673,162	1,673,162
Effect of dilution - weighted average number of ordinary shares: Share options ('000)	<u>—</u>	<u>686</u>
Weighted average number of ordinary shares in issue and potential ordinary shares during the year used in the diluted earnings per share calculation ('000)	<u>1,673,162</u>	<u>1,673,848</u>

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2022 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9 DIVIDENDS

	2022 RMB'000	2021 RMB'000
Interim, paid, HKD0.10 equivalent to approximately RMB0.0861 (2021: HKD0.20 equivalent to approximately RMB0.1663) per share	144,093	278,320
Final, proposed, HKD0.10 equivalent to approximately RMB0.0883 (2021: HKD0.41 equivalent to approximately RMB0.3317) per share	<u>147,700</u>	<u>555,003</u>
	<u>291,793</u>	<u>833,323</u>

The final dividend was proposed after the end of the reporting period and has not been recognised as a liability at the end of the reporting period.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	RMB'000	RMB'000
Trade receivables	127,730	153,028
Other receivables, deposits and prepayments	156,451	139,963
	<u>284,181</u>	<u>292,991</u>

As at 31 December 2022, trade receivables were all aged below 30 days (2021: 30 days) by the date when trade receivables are recognised.

The Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. The trade receivables represented amounts due from local transport departments which collected the toll revenue for all operating entities due to the implementation of unified toll collection policy on expressways and highways in China. The settlement period is normally within a month.

The carrying amounts of trade and other receivables and deposits approximated to their fair values and were mainly denominated in RMB. The trade and other receivables are measured at amortised cost.

11 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2022	2021
	RMB'000	RMB'000
Trade payables	47,327	60,768
Other payables and accrued charges	599,659	688,368
Construction related accruals and payables	274,915	241,793
	<u>921,901</u>	<u>990,929</u>

The ageing analysis of trade payables and construction related accruals and payables by invoice date is as follows:

	2022	2021
	RMB'000	RMB'000
0 - 30 days	36,345	44,580
31 - 90 days	32,689	23,032
Over 90 days	253,208	234,949
	<u>322,242</u>	<u>302,561</u>

12 EVENT AFTER THE REPORTING PERIOD

Baiyun District and Huangpu District land expropriation agreements in connection with the GNSR Expressway reconstruction and expansion project which constitute major transactions of the Company were approved by the shareholders at the special general meeting held on 10 January 2023. On 28 February 2023, Guangzhou North Second Ring Transport Technology Company Limited entered into the Huangpu District Land Expropriation and Relocation Works Agreement with Guangzhou Development District Key Project Promotion Centre.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads, Bridges and Port

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Approved Last Date for Toll Collection (Year/Month/ Day) ⁽⁵⁾
SUBSIDIARIES						
GNSR Expressway	42.5	6	6	Expressway	60.00	2032/01/10 ^a
Cangyu Expressway	22.0	4	0	Expressway	100.00	2030/12/28 ^b
Jinxiong Expressway	23.9	4	2	Expressway	60.00	2030/03/17 ^c
Changzhu Expressway	46.5	4	5	Expressway	100.00	2040/08/30 ^b
Weixu Expressway	64.3	4	2	Expressway	100.00	2035/11/18 ^c
Lanwei Expressway ⁽¹⁾	61.0	4	3	Expressway	100.00	2034/07/01 ^c
Suiyuan Expressway	98.1	4	4	Expressway	70.00	2040/03/09 ^b
Hancai Expressway	36.0	4/6 ⁽²⁾	2	Expressway	67.00	2038/08/27 ^b
Han'e Expressway	54.8	4	5	Expressway	100.00	2042/06/30 ^b
Daguangnan Expressway	107.1	4	6	Expressway	90.00	2042/04/29 ^b
ASSOCIATES AND JOINT VENTURE						
Han-Xiao Expressway ⁽³⁾	38.5	4/6 ⁽³⁾	2	Expressway	30.00	2036/12/09 ^b
GWSR Expressway	42.1	6	2	Expressway	35.00	2030/12/19 ^a
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽⁴⁾	2029/05/08 ^a
Northern Ring Road	22.0	6	8	Expressway	24.30	2023/11/29 ^a
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	2028/12/23 ^a
Qinglian Expressway	215.2	4	15	Expressway	23.63	2034/06/30 ^a
Pazhou Port ⁽⁶⁾		N/A			45.00	N/A

Notes:

- (1) The Group completed the acquisition of 100% of the equity interest in Henan Lanwei Expressway on 18 November 2022.
- (2) There are 6 lanes for the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes for other sections.

- (3) The Group successfully completed the spin-off of Hubei Han-Xiao Expressway as part of the REIT public offering that was listed on the Shenzhen Stock Exchange on 14 December 2021. Hubei Han-Xiao Expressway is no longer a subsidiary of the Group. There are 6 lanes for the sections of Airport North Extension and from Taoyuanji interchange to Hengdian interchange, and 4 lanes for other sections.
- (4) The profit-sharing ratio was 18.446% from 2010 onwards.
- (5) a. Projects within Guangdong Province: Pursuant to the supporting and protective policies from the relevant authorities in the Guangdong Province regarding waiver of tolls on toll roads during the COVID-19 pandemic, the operators of toll roads for the Group's projects within Guangdong Province shall submit compensation applications one year before the original toll collection deadline of the project.
- b. Projects within Guangxi Autonomous Region, Hunan Province and Hubei Province: Pursuant to the supporting and protective policies from the relevant authorities in the Guangxi Autonomous Region, Hunan Province and Hubei Province regarding waiver of tolls on toll roads during the COVID-19 pandemic, the original approved toll collection deadline for the Group's projects within Guangxi Autonomous Region, Hunan Province and Hubei Province were postponed for 79 days.
- c. Projects within Tianjin City and Henan Province: relevant supporting and protective policies were under research and formulation.
- (6) The approval of the opening of Pazhou Port is being considered, and formal operation will commence after completion.

TOLL SUMMARY OF TOLL ROADS AND BRIDGES

For the twelve months ended 31 December 2022

	Average daily toll revenue ⁽¹⁾		Average daily toll traffic volume	
	Full year of 2022 (RMB/day)	Y-O-Y Change %	Full year of 2022 (Vehicle/day)	Y-O-Y Change %
SUBSIDIARIES				
GNSR Expressway	2,687,829	-12.5%	243,180	-13.4%
Cangyu Expressway	243,801	-0.5%	15,445	-0.7%
Jinxiong Expressway	197,550	-10.1%	29,413	-14.6%
Changzhu Expressway	633,505	-14.0%	64,434	-12.7%
Weixu Expressway	1,067,612	11.6%	21,491	-8.7%
Lanwei Expressway ⁽²⁾	901,935	6.5%	25,802	-17.5%
Suiyuan Expressway	1,731,809	2.9%	28,181	-7.5%
Hancai Expressway	616,988	-12.7%	42,871	-15.7%
Han'e Expressway	414,660	-27.7%	29,157	-29.6%
Daguangnan Expressway	1,066,632	-13.5%	23,365	-20.9%
ASSOCIATES AND JOINT VENTURE				
Han-Xiao Expressway	544,471	-12.0%	27,043	-19.3%
GWSR Expressway	1,109,560	-19.6%	72,054	-22.1%
Humen Bridge	1,907,584	-19.5%	72,149	-19.4%
Northern Ring Road	1,758,498	-10.2%	344,067	-7.7%
Shantou Bay Bridge	388,035	-25.2%	24,521	-17.0%
Qinglian Expressway	1,686,091	-29.7%	44,922	-15.3%

Notes:

(1) Average daily toll revenue does not include value-added tax.

(2) The Group completed the acquisition of 100% of the equity interest in Henan Lanwei Expressway on 18 November 2022.

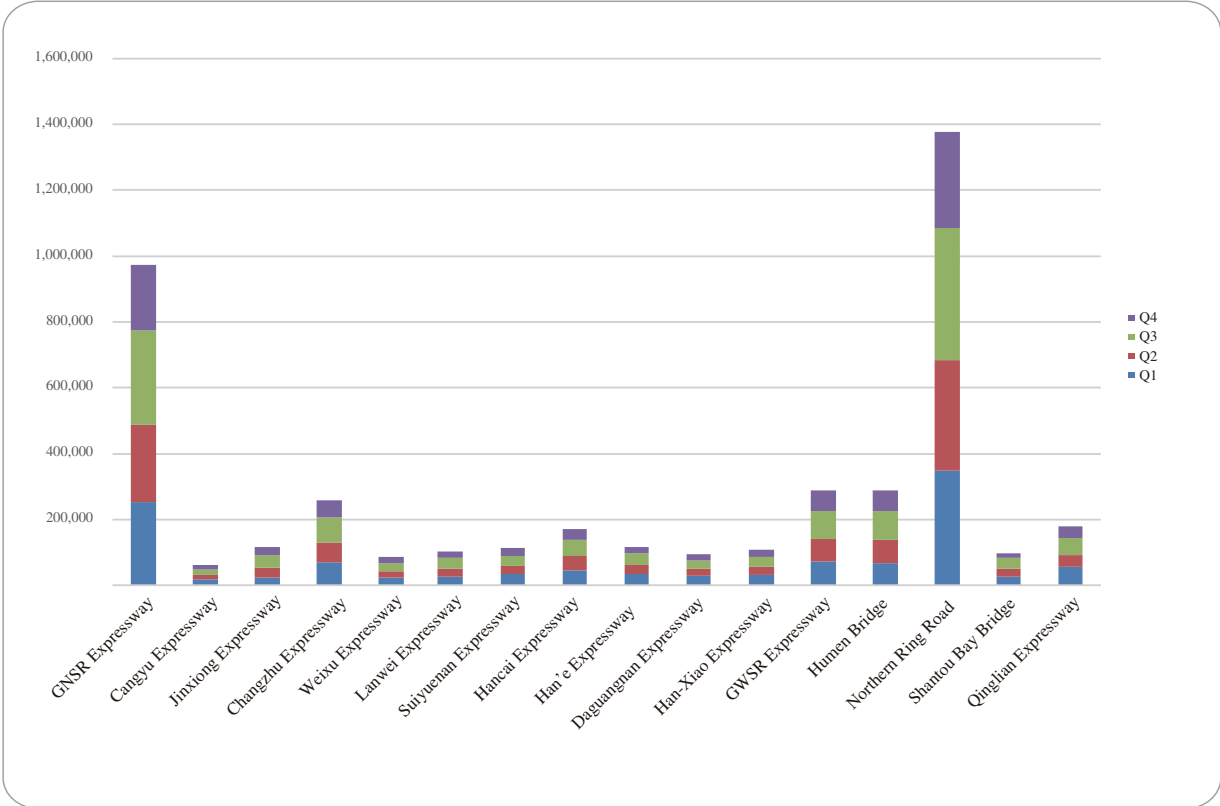
TOLL ROADS AND BRIDGES

Quarterly analysis of average daily toll traffic volume for 2022

	Average daily toll traffic volume of the First quarter in 2022 (Vehicle/day)	Average daily toll traffic volume of the Second quarter in 2022 (Vehicle/day)	Average daily toll traffic volume of the Third quarter in 2022 (Vehicle/day)	Average daily toll traffic volume of the Fourth quarter in 2022 (Vehicle/day)
SUBSIDIARIES				
GNSR Expressway	251,482	236,476	284,753	200,115
Cangyu Expressway	18,830	12,744	16,455	13,795
Jinxiong Expressway	22,936	30,599	37,147	26,843
Changzhu Expressway	70,107	60,310	75,591	51,806
Weixu Expressway	22,226	20,887	25,339	17,520
Lanwei Expressway ⁽¹⁾	26,827	23,809	31,742	20,831
Suiyuenan Expressway	34,257	24,736	30,364	23,461
Hancai Expressway	46,341	42,094	49,729	33,387
Han'e Expressway	34,734	27,699	33,898	20,401
Daguangnan Expressway	28,746	20,755	25,043	19,004
ASSOCIATES AND JOINT VENTURE				
Han-Xiao Expressway	32,410	24,802	29,105	21,949
GWSR Expressway	73,435	66,166	86,061	62,518
Humen Bridge	66,828	70,802	87,324	63,511
Northern Ring Road	348,882	336,085	400,171	291,147
Shantou Bay Bridge	26,192	25,164	31,666	15,104
Qinglian Expressway	55,180	36,097	52,890	35,647

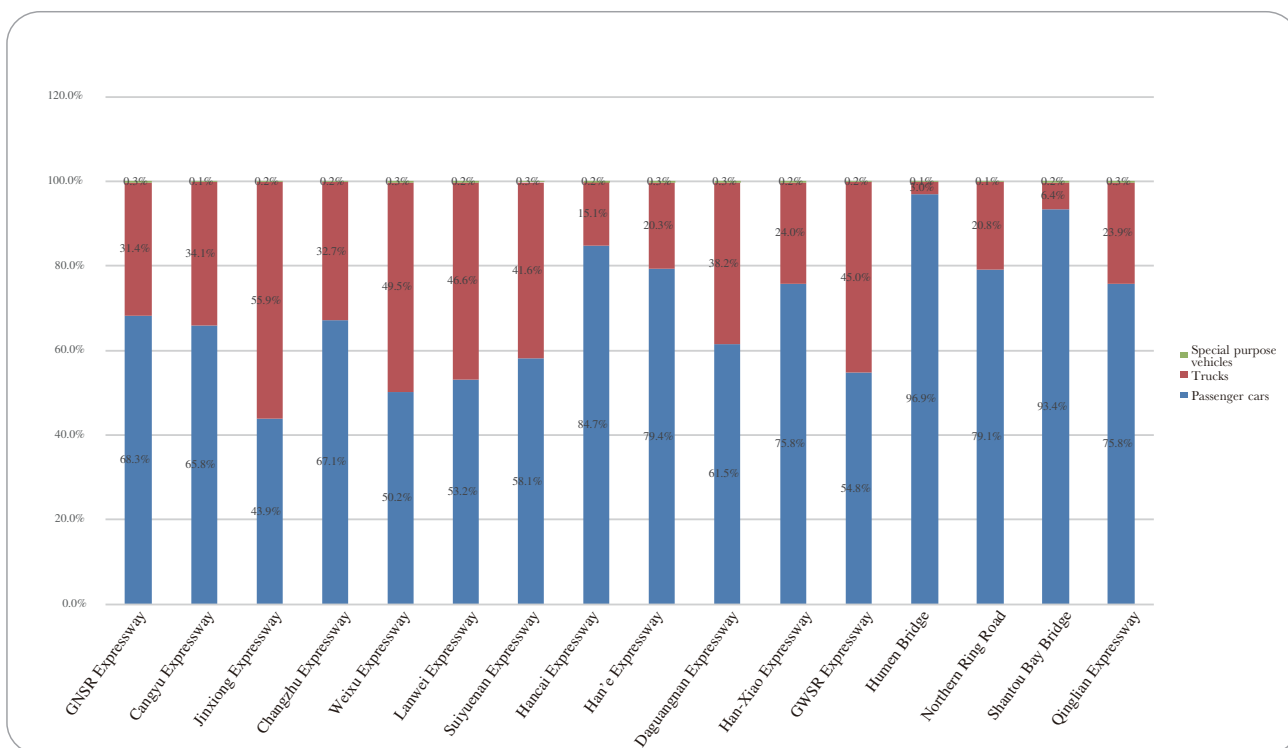
Note:

- (1) The Group completed the acquisition of 100% of the equity interest in Henan Lanwei Expressway on 18 November 2022.



Vehicle Type Analysis (By Traffic Volume)

During the Reporting Year, the Group’s operating projects were primarily located in the following six provinces/municipalities: Guangdong, Guangxi, Hunan, Hubei, Henan and Tianjin. In accordance with the industry standard of “Vehicle Classification of the Toll Highway” implemented on 1 January 2020, in the regions where the Group’s investment and operating projects are located, all vehicles are classified into the following three categories in a standardised manner: passenger cars, trucks, and special purpose vehicles.



Note: (1) Special purpose vehicle refers to cars that have special equipment or apparatus installed, and used in engineering special projects, health care and other operations.

SUMMARY OF OPERATING PERFORMANCE

Macroeconomic Environment

During the Reporting Year, the international environment has become more complex and severe, and with the frequent and sporadic outbreak of domestic epidemics, the adverse effects have increased significantly. Such internal and external challenges were effectively overcome via various effective pandemic control measures in the PRC as well as economic and social development. In turn, such measures led to a continuous development in the PRC national economy and increased stability in the economy and society. According to the information released by the National Bureau of Statistics, the gross domestic product (GDP) for the year of 2022 amounted to RMB121,020.7 billion, representing a year-on-year increase of 3.0%; and by quarter, the GDP for the first quarter, the second quarter, the third quarter and the fourth quarter recorded a year-on-year increase of 4.8%, 0.4%, 3.9% and 2.9% respectively.

According to the Ministry of Public Security, domestic car ownership maintained a steady growth momentum; as of 31 December 2022, domestic car ownership reached 319 million vehicles, representing a year-on-year increase of 5.8%; and new energy vehicle ownership reached 13.10 million, representing a year-on-year increase of 67.1% and reach 4.1% of total number of vehicles.

According to the Ministry of Transport, in 2022, fixed asset investment in transportation was more than RMB3.8 trillion, including RMB2.9 trillion in highways, representing a year-on-year increase of 9.7%; and from January to December 2022, highway passenger and cargo turnover decreased by 33.7% and 1.2% year-on-year, respectively.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. According to the National and Provincial Bureaus of Statistics, the GDP of these regions for 2022 increased by 1.9%, 1.0%, 2.9%, 4.5%, 4.3% and 3.1% year-on-year, respectively.

(Unit: RMB100 million)

	National	Guangdong Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
GDP for the year 2022	1,210,207	129,119	16,311	26,301	48,670	53,735	61,345
GDP changes for the year 2022	3.0%	1.9%	1.0%	2.9%	4.5%	4.3%	3.1%
GDP changes for the year 2021	8.1%	8.0%	6.6%	7.5%	7.7%	12.9%	6.3%

Source: National and Provincial Bureaus of Statistics

Regulatory Environment of the Sector

During the Reporting Year, in order to further improve the legal and regulatory governance system and promote sustainable development of toll roads, various amendments to the Highway Law (《公路法》) and the Regulations on the Administration of Toll Roads (《收費公路管理條例》) have been included in Category Two of the 2022 Legislative Plan for the Ministry of Transport for “in-depth research and timely promotion”.

The National Development and Reform Commission and the Ministry of Transport jointly promulgated the National Expressway Network Plan (《國家公路網規劃》), which targets that by 2035, a modern and high-quality national expressway network with extensive coverage, complete functions, intensive efficiency, green intelligence, safety and reliability will be built. With the National Expressway Network Plan, the length of national expressway is targeted to reach approximately 162,000 kilometers.

The National Development and Reform Commission proposed to actively expand effective investments and emphasise the key role of investment in optimising the supply structure. Work will continue to comprehensively strengthen the infrastructure construction in accordance with or ahead of schedule, which in turn will be beneficial for leading industrial development and urbanisation construction.

Local governments across the PRC continued to promote the implementation of different highway tolls, adhering to government guidance and encouraging independent participation by operators, with the aims of improving road network efficiency, reducing logistics costs, and effectively protecting the legitimate rights of highway investors. Up to now, relevant policies have had no significant impact on the toll revenue of the Group’s projects.

In September 2022, in the State Council executive meeting, it was determined to promote smooth transportation and unobstructed logistics channels and introduce special relief policies to support related market players, in a bid to support the stable operation of the economy. Specifically, truck toll charges on toll roads were reduced by 10% in the fourth quarter of the Reporting Year, and the toll road operators were given targeted financial support to lower their financing costs to some extent. The policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter had a certain impact on the toll revenue of the Group’s projects. As of 31 December 2022, the special policy of reduction in truck toll charges on toll roads for the fourth quarter has expired.

On 7 December 2022, the State Council’s Joint Prevention and Control Mechanism Comprehensive Team issued the “Circular on Further Optimising the Implementation of COVID-19 Prevention and Control Measures” (《關於進一步優化落實新冠肺炎疫情防控措施的通知》), which meant a progressive lift of the control measures on prevention of the pandemic. On 8 December 2022, the Ministry of Transport issued the “Notice on Further Optimising the Implementation of the Transportation Work for the Prevention and Control of COVID-19” (《關於進一步優化落實新冠肺炎疫情防控交通運輸工作的通知》), to further lift the control measures in the transportation industry. In late February 2023, the National Health Commission announced that

China had withstood the impacts and challenges brought about by the latest wave of the pandemic and an effective population immunity barrier has been established. Therefore, it concluded that the pandemic has basically ended. It is expected that the economy activities will rebound rapidly when things get back to normal.

Business Improvements and Innovations

During the Reporting Year, the Group proactively expanded revenue sources. Firstly, the Group continued to progress combined marketing strategies including “navigating and introducing traffic, linking scenic spots, improving road signage, ensuring smooth traffic flow and promoting brands”, with the aim of attracting traffic and increasing toll revenue via such new media promotions. Secondly, the Group continued to reinforce the concept of “Expressway+” and promote the use of resources such as service areas in the expressway, ancillary lands and facilities along the expressway and billboards to diversify its sources of revenue. Thirdly, the Group also actively promoted the pilot application of photovoltaic new energy and facilitated the construction of charging piles in the main service areas in response to national requirements to speed up the construction of charging infrastructure along the highway, so as to better cater to drivers and passengers’ demands while creating certain corporate benefits. Fourthly, the Group introduced a new generation of intelligent audit system in GNSR Expressway to strengthen its inspection capabilities, with the aim of ensuring that all tolls are collected and preventing toll evasion and avoidance.

Through continuous investments in maintenance and careful operation and management, the Group strived to make sure the technological standards of highways were in line with the industry averages, provided the public with a “green, clean, smooth, beautiful and safe” traveling environment, enhanced business and service quality and optimised the efficiency and service level of expressway and toll stations. It continued to maintain, adjust and optimise key toll collection facilities and equipment, to ensure stable ongoing operation. As a result, various indicators (including ETC calculation successful rate and car plate automatic identification rate) were better than the industry averages. It also continued to improve the safety management capabilities and build a safety management system with the characteristics of transportation industry.

The Group continued to advance its application of innovative technology. The Group implemented preventive maintenance measures by promoting new technology, materials, processes, equipment and applications to improve the quality of work effectively and save maintenance costs. Meanwhile, the Group also continued to carry out digital transformation of business model and invest in building a smart traffic integration system platform and applying big data technology with technical features such as “all-round monitoring, accurate detection and rapid early warning”, in order to improve the level of operation and maintenance management digitalisation and promote the long-term development of enterprises with advanced technologies. Finally, the Group promoted intelligent unmanned toll collection technology. In particular, the first unmanned toll collection resolution for diamond-shaped toll station in China has been implemented at the Xiangxue toll station of GNSR Expressway, which further improved lane traffic efficiency and provided better experience for drivers and passengers.

During the Reporting Year, the Group vigorously carried out 24 scientific project studies and included 5 additional special invention projects. In particular, tunnel front lighting technology in GNSR Expressway have been successfully applied; The “Early Warning and Rescue” AI platform (「預警救援」AI平台) was highly recognised by experts and won the second prize of the start-up group in the Guangzhou State-owned Enterprise Innovation Competition (廣州市國資國企創新大賽).

The Group is committed to promoting management quality and efficiency. It will continue to enhance its diversified incentive scheme with clear criteria and improved mechanisms, and improve the quality of its management and staff. The Group continues to take various measures to build its team by optimising the performance management mechanism, tenure system and contracting mechanism for managers, and comprehensively revising and improving the human resource system.

Progress of Investment

During the Reporting Year, the Group continued to attempt to acquire high-quality expressway projects of large and medium scale, in order to strengthen assets under management and scale up the core business. Geographically, the Group has successfully set its foothold in Guangdong, Hong Kong and Macau Greater Bay Area and will expand its presence in developing areas benefiting from continued urbanisation and industrialisation going forward. The Group will also seek development opportunities for other infrastructure projects with stable cash flows and projects in the upstream and downstream of expressway value chain.

During the Reporting Year, the Group entered into agreement with Guangzhou Yue Xiu Holdings Limited to acquire 100% of the equity interest in Henan Yuexiu Lanwei Expressway Company Limited* (河南越秀蘭尉高速公路有限公司). The transaction was approved by the independent shareholders at the special general meeting held on 18 November 2022 and completion of which took place on the same day.

During the Reporting Year, Guangzhou North Second Ring Transport Technology Company Limited obtained the approval in principle from the Guangdong Provincial Development and Reform Commission for the GNSR Expressway R&E Project. Baiyun District and Huangpu District land expropriation agreements of the project were approved by the shareholders at the special general meeting held on 10 January 2023. On 28 February 2023, Guangzhou North Second Ring Transport Technology Company Limited entered into the Huangpu District Land Expropriation and Relocation Works Agreement with Guangzhou Development District Key Project Promotion Centre.

Possible Risk Exposure

During the Reporting Year, the Group further improved the comprehensive risk management system and actively explored the path to realise smart risk management. As in previous years, the risks exposure of the Group were mainly market risks, including changes in road network planning and industry toll policies. In 2022, the adjustments to the pandemic control measures in various regions

of China and expressway toll policies, the launch of toll reduction policy (for example, truck toll charges on toll roads reduced by 10% in the fourth quarter) and changes in the industry subsidy policy, all has brought about uncertainties to the toll revenue of the Group. The Group will continue to closely monitor the following risks and will adopt effective tackling measures proactively in the future.

(1) Parallel Highway Competition Risk

Risk analysis:

Changes in the road network related to the highways under management of the Group, and the commencement of operation of parallel highways or alternative routes under construction or to be built, may result in diversion from the expressways under management of the Group. If the Group fails to take active counter measures, this may have an impact on the traffic volume of the expressways under management of the Group and affect the Group's toll revenue.

Counter measures:

Step up efforts in marketing and promotion as well as traffic volume attraction to promote the return of vehicles and mitigate the diversion effects of parallel road sections or alternative routes. Carry out platform innovation and marketing, build a network marketing service platform, to improve user loyalty and build a user ecosystem.

(2) Different risks involved in the GNSR Expressway R&E Project

1) Construction risks faced:

- As the GNSR Expressway R&E Project involves a wide spectrum of works and processes at different stages including expropriation, demolition and relocation of lands, buildings and structures along the expressway, as well as design, tendering, construction and completion settlements, and the GNSR Expressway R&E Project involves sophisticated construction processes, there are a number of unforeseen factors which could affect the progress and scheduled completion time of and investment amount into the GNSR Expressway R&E Project, including but not limited to disputes arising under land expropriation arrangements, technical complications arising from the construction works, risks involving compliance with environmental protection policies and impact of public health incidents.

- A number of factors may lead to delay in the land expropriation progress, such as issues arising in light of the fact that the Group may not have much experience in undertaking major expressway reconstruction and expansion projects, severe scrutiny from the government authority on the expropriation of arable land or permanent basic farmland and such other unforeseen circumstances which may be out of control of the Company and the relevant government authority.

Counter measures:

- GNSR Company has engaged public institutions under supervision of the respective provincial governments to assist with the land expropriation works to ensure that the land expropriation works are sufficiently monitored, and GNSR Company has also conducted a number of feasibility and technical studies prior to the implementation phase of the GNSR Expressway R&E Project with a view to minimising any unforeseen technical construction complications.
- For production safety, the Group established relevant response mechanisms, improved its organisational structure, prepared and completed safety management measures, and formed a complete safety management system.
- As for compliance with environmental protection policies, the environmental impact report for the preliminary works portion of the GNSR Expressway R&E Project has been approved by, and the environmental impact reports for all works under the GNSR Expressway R&E Project are also expected to be approved by, the Ecology and Environment Bureau of Guangzhou City before the respective construction works are undertaken, and GNSR Company will also supervise and ensure that the relevant construction units will undertake environmental protection measures based on relevant laws and regulations during the construction phase and cooperate with any supervision and guidance from the respective governmental authorities during the construction phase.

2) Operational risks faced:

During the R&E construction period, the driving environment and traffic speed may be affected due to traffic control, enclosure operations, etc., thereby resulting in an impact on the toll revenue of the original road section of the GNSR Expressway. In addition, in terms of road maintenance and construction, production safety accidents may occur due to the possible failure by related parties to fulfill their responsibility for safety production or inadequate safety production measures.

Counter measures:

With regard to ensuring smooth operation, at the preliminary design stage of the project, the Group optimised the reconstruction and expansion method of the project according to the review opinions of the Ministry of Transport to mainly adopt two-side separation or one-side separation. The separation of the newly built section has basically no impact on the traffic of the original road section of the GNSR Expressway, and the overall widening construction is carried out on the side of the original road section of the GNSR Expressway, which has relatively limited impact on the traffic of the original road section.

3) Investment risks faced:

The total investment amount estimated by the Company may be subject to change in light of a number of factors in line with industry practices, such as interest rate changes, changes in project construction costs, increases in land expropriation and demolition costs, fluctuating raw materials and equipment prices and modifications of the construction plans as the project progresses.

Counter measures:

The Group will undertake risk mitigation measures, such as accelerating the implementation of land expropriation and demolition, optimising the project plan to reduce project costs, strictly enforcing auditing inspection systems, properly handling budget control, close-monitoring of on-site management of construction sites, and reasonable lowering of financing costs.

Expressways, Bridges and Port

During the Reporting Year, the average daily toll revenue and daily toll traffic volume of the Group's various projects showed a year-on-year decrease trend due to the impact of COVID-19, which was basically consistent with the development trend of the pandemic in the local areas. In addition, the special policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter also had a certain impact on the toll revenue of the Group's projects.

On 7 December 2022, the State Council’s Joint Prevention and Control Mechanism Comprehensive Team issued the “Circular on Further Optimising the Implementation of COVID-19 Prevention and Control Measures” (《關於進一步優化落實新冠肺炎疫情防控措施的通知》), which meant a progressive lift of the control measures on prevention of the pandemic. On 8 December 2022, the Ministry of Transport issued the “Notice on Further Optimising the Implementation of the Transportation Work for the Prevention and Control of COVID-19” (《關於進一步優化落實新冠肺炎疫情防控交通運輸工作的通知》), to further lift the control measures in the transportation industry. Since December, the average daily toll revenue and average daily toll traffic volume of most projects under the Group have gradually rebounded.

In response to the unfavorable factors such as the pandemic, the Group is committed to fulfilling national requirements of “preventing the COVID-19 outbreak, stabilising the economy, and realising development security” and formulating and actively implementing various economic stabilisation measures. It will implement pandemic control measures to fully support the normal operation of its projects, ensure the safe and smooth operation of highways, promote the stable operation of industrial chains and supply chains, and serve the overall development of the economy and the society. In addition, it aims to increase income and reduce spending, strive to explore operating potential, and reduce the adverse impact from the COVID-19 pandemic.

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll revenue was RMB2,688,000, representing a year-on-year decrease of 12.5% from 2021. The average daily toll traffic volume was 243,180 vehicles, representing a year-on-year decrease of 13.4% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to: (1) the impact of COVID-19 and the overall economic conditions in the relevant areas of Guangdong in 2022; and (2) drivers’ usage of the Chaoyang Interchange on the Guangzhou-Foshan-Zhaoqing Expressway (Guangzhou Section), which officially commenced operation on 16 January 2022.

Cangyu Expressway

During the Reporting Year, the average daily toll revenue was RMB244,000, representing a year-on-year decrease of 0.5% from 2021. The average daily toll traffic volume was 15,445 vehicles, representing a year-on-year decrease of 0.7% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the impact of COVID-19 and the overall economic conditions in the relevant areas of Guangxi in 2022.

Jinxiong Expressway

During the Reporting Year, the average daily toll revenue was RMB198,000, representing a year-on-year decrease of 10.1% from 2021. The average daily toll traffic volume was 29,413 vehicles, representing a year-on-year decrease of 14.6% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to: (1) the impact of COVID-19 and the overall economic conditions in the relevant areas of Tianjin in 2022; and (2) the continuing traffic diversion on this road section caused by Jin-Shi Expressway (Tianjin West Section), which commenced operation on 22 December 2020.

Changzhu Expressway

During the Reporting Year, the average daily toll revenue was RMB634,000, representing a year-on-year decrease of 14.0% from 2021. The average daily toll traffic volume was 64,434 vehicles, representing a year-on-year decrease of 12.7% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the impact of COVID-19 and the overall economic conditions in the relevant areas of Hunan in 2022.

Weixu Expressway

During the Reporting Year, the average daily toll revenue was RMB1,068,000, representing a year-on-year increase of 11.6% from 2021. The average daily toll traffic volume was 21,491 vehicles, representing a year-on-year decrease of 8.7% from 2021.

The year-on-year decrease of the average daily toll traffic volume and the year-on-year increase of the average daily toll revenue were mainly due to the impact of COVID-19 and road traffic control measures in nearby areas in Henan in 2022, resulting in a decrease in the traffic volume of passenger vehicles, an increase in the truck traffic volume and an extension of the average travelling mileage for this expressway section.

Lanwei Expressway

The Group completed the acquisition of 100% of the equity interest in Henan Lanwei Expressway on 18 November 2022.

During the Reporting Year, the average daily toll revenue was RMB902,000, representing a year-on-year increase of 6.5% from 2021. The average daily toll traffic volume was 25,802 vehicles, representing a year-on-year decrease of 17.5% from 2021.

The year-on-year decrease of the average daily toll traffic volume and the year-on-year increase of the average daily toll revenue were mainly due to the impact of COVID-19 and road traffic control measures in nearby areas in Henan in 2022, resulting in a decrease in the traffic volume of passenger vehicles, an increase in the truck traffic volume and an extension of the average travelling mileage for this expressway section.

Suiyuanan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,732,000, representing a year-on-year increase of 2.9% from 2021. The average daily toll traffic volume was 28,181 vehicles, representing a year-on-year decrease of 7.5% from 2021.

The year-on-year decrease of the average daily toll traffic volume and the year-on-year increase of the average daily toll revenue were mainly due to the decrease in traffic volume of this expressway section caused by the impact of COVID-19 and the overall economic conditions in the relevant areas of Hubei in 2022, and the increases in traffic volume and average travelling mileage from heavy cargo trucks on this expressway section diverted from the Jianli-Shangchewan section (Zhuhe-Bailuo section) of the nearby National Highway G351, which has been closed since 6 April 2022 for maintenance and construction (completed on 1 March 2023).

Hancai Expressway

During the Reporting Year, the average daily toll revenue was RMB617,000, representing a year-on-year decrease of 12.7% from 2021. The average daily toll traffic volume was 42,871 vehicles, representing a year-on-year decrease of 15.7% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the impact of COVID-19 and the overall economic conditions in the relevant areas of Hubei in 2022.

Han'e Expressway

During the Reporting Year, the average daily toll revenue was RMB415,000, representing a year-on-year decrease of 27.7% from 2021. The average daily toll traffic volume was 29,157 vehicles, representing a year-on-year decrease of 29.6% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to: (1) the impact of COVID-19 and the overall economic conditions in the relevant areas of Hubei in 2022; and (2) drivers' usage of the E-Xian Expressway, which commenced operation on 28 September 2021.

Daguangnan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,067,000, representing a year-on-year decrease of 13.5% from 2021. The average daily toll traffic volume was 23,365 vehicles, representing a year-on-year decrease of 20.9% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to: (1) the impact of COVID-19 and the overall economic conditions in the relevant areas of Hubei in 2022; and (2) drivers' usage of the E-Xian Expressway which commenced operation on 28 September 2021 and Wuxue-Changjiang Bridge which commenced operation on 25 September 2021.

Associates and Joint Venture

Han-Xiao Expressway

During the Reporting Year, the average daily toll revenue was RMB544,000, representing a year-on-year decrease of 12.0% from 2021. The average daily toll traffic volume was 27,043 vehicles, representing a year-on-year decrease of 19.3% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the impact of COVID-19 and the overall economic conditions in the relevant areas of Hubei in 2022.

GWSR Expressway

During the Reporting Year, the average daily toll revenue was RMB1,110,000, representing a year-on-year decrease of 19.6% from 2021. The average daily toll traffic volume was 72,054 vehicles, representing a year-on-year decrease of 22.1% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to: (1) the impact of COVID-19 and the overall economic conditions in the relevant areas of Guangdong in 2022; and (2) drivers' usage of the Chaoyang Interchange on the Guangzhou-Foshan-Zhaoqing Expressway (Guangzhou Section), which officially commenced operation on 16 January 2022.

Humen Bridge

During the Reporting Year, the average daily toll revenue was RMB1,908,000, representing a year-on-year decrease of 19.5% from 2021. The average daily toll traffic volume was 72,149 vehicles, representing a year-on-year decrease of 19.4% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the impact of COVID-19 and the overall economic conditions in the relevant areas of Guangdong in 2022.

Northern Ring Road

During the Reporting Year, the average daily toll revenue was RMB1,758,000, representing a year-on-year decrease of 10.2% from 2021. The average daily toll traffic volume was 344,067 vehicles, representing a year-on-year decrease of 7.7% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the impact of COVID-19 and the overall economic conditions in the relevant areas of Guangdong in 2022.

Shantou Bay Bridge

During the Reporting Year, the average daily toll revenue was RMB388,000, representing a year-on-year decrease of 25.2% from 2021. The average daily toll traffic volume was 24,521 vehicles, representing a year-on-year decrease of 17.0% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to: (1) the impact of COVID-19 and the overall economic conditions in the relevant areas of Guangdong in 2022; and (2) the diversion impact on the road section as a result of the commencement of operation of Shantou Bay Tunnel on 28 September 2022 and the implementation of free permit for passenger cars.

Qinglian Expressway

During the Reporting Year, the average daily toll revenue was RMB1,686,000, representing a year-on-year decrease of 29.7% from 2021. The average daily toll traffic volume was 44,922 vehicles, representing a year-on-year decrease of 15.3% from 2021.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to: (1) the impact of COVID-19 and the overall economic conditions in the relevant areas of Guangdong in 2022; and (2) the full operation of the Guangzhou-Lianzhou Expressway since 31 December 2021, which resulted in less demand for vehicles travelling entire or most of the route in this road section.

Pazhou Project

During the Reporting Year, the Group continued to promote the construction of the Guangzhou Pazhou Port Project and other related work. Currently, the Group has completed and inspected the land project and the port construction, and obtained the permit of port operations (《港口經營許可證》) as the port operation conditions have been met. The approval of the opening of the port is being considered, and formal operation will commence after completion.

FINANCIAL REVIEW

Key operating results figures

	Reporting Year	2021	Change
	RMB'000	RMB'000	%
Revenue	3,288,923	3,702,276	-11.2
Gross profit	1,719,388	2,223,246	-22.7
Operating profit	1,454,942	2,653,702	-45.2
Earnings before interests, tax, depreciation and amortisation (“EBITDA”) ⁽¹⁾	2,866,872	3,292,190	-12.9
Finance costs	(625,483)	(743,027)	-15.8
Share of result of a joint venture, net of tax	53,257	76,917	-30.8
Share of results of associates, net of tax	119,007	186,874	-36.3
Profit attributable to shareholders of the Company	453,114	1,464,984	-69.1
Basic earnings per share	RMB0.2708	RMB0.8756	-69.1
Diluted earnings per share	RMB0.2708	RMB0.8752	-69.1
Dividend	291,793	833,323	-65.0

⁽¹⁾ EBITDA includes share of results of associates and a joint venture, net of tax, and excludes non-cash gains and losses.

I. Overview of operating results

In the Reporting Year and as compared with the previous reporting year, the Group's revenue decreased by 11.2 percent to RMB3,288,923,000; operating profit decreased by 45.2 percent to RMB1,454,942,000; and profit attributable to shareholders of the Company decreased by 69.1 percent to RMB453,114,000.

The decrease in the Group's revenue during the Reporting Year was mainly due to the impact of COVID-19 control, the policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter and the overall economic conditions which affected the Group's overall operating performance. In addition, upon the completion of the spin-off of Hubei Han-Xiao Expressway in December 2021, the financial results of the project company is no longer consolidated by the Group as a subsidiary. The financial results of the newly acquired Henan Lanwei Expressway have been consolidated by the Group since 19 November 2022 and are expected to replenish the revenue decrement from the spin-off of Hubei Han-Xiao Expressway in 2023.

In addition to the revenue decrement, the decrease in the profit attributable to shareholders of the Company during the Reporting Year was mainly due to the absence of gain on disposal recognised as a result of the spin-off of Hubei Han-Xiao Expressway in 2021 (2021: RMB960,976,000).

The Board has recommended the payment of final dividend for 2022 of HK\$0.10 which is equivalent to approximately RMB0.0883 (2021: HK\$0.41 which was equivalent to approximately RMB0.3317) per share. Together with the interim dividend of HK\$0.10 which was equivalent to approximately RMB0.0861 (2021: HK\$0.20 which was equivalent to approximately RMB0.1663) per share, the total dividend for the year ended 31 December 2022 amounts to HK\$0.20 which is equivalent to approximately RMB0.1744 (2021: HK\$0.61 which was equivalent to approximately RMB0.4980) per share, representing a dividend payout ratio of 64.4 percent (2021: 56.9 percent).

II. Analysis of operating results

Revenue

The Group recorded total revenue of RMB3,288,923,000 in the Reporting Year, which comprised total toll revenue of RMB3,193,138,000 and other revenue related to normal toll roads operation of RMB95,785,000.

Toll revenue

The Group recorded total toll revenue of RMB3,193,138,000 in the Reporting Year, representing a decrease of 12.5 percent from RMB3,649,754,000 in 2021. The decrease was mainly due to outbreaks of the pandemic in various areas of the PRC, the policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter and the overall economic conditions during the Reporting Year. Further details on the toll revenue of each expressway and bridge are set out in the “Business Review – Expressways, Bridges and Port” section of this announcement.

Analysis of toll revenue by each controlled project

Controlled Projects	Reporting Year RMB'000	Percentage of total toll revenue %	2021 RMB'000	Percentage of total toll revenue %	Change %
GNSR Expressway	981,058	30.7	1,121,176	30.7	-12.5
Suiyuanan Expressway	632,110	19.8	614,075	16.8	2.9
Weixu Expressway	389,678	12.2	349,218	9.6	11.6
Daguangnan Expressway	389,321	12.2	450,087	12.3	-13.5
Changzhu Expressway	231,230	7.2	268,735	7.4	-14.0
Hancai Expressway	225,200	7.1	258,070	7.1	-12.7
Han'e Expressway	151,351	4.7	209,377	5.7	-27.7
Cangyu Expressway	88,987	2.8	89,420	2.5	-0.5
Jinxiong Expressway	72,106	2.3	80,248	2.2	-10.1
Lanwei Expressway	32,097⁽¹⁾	1.0	—	—	N/A
Han-Xiao Expressway	—	—	209,348 ⁽²⁾	5.7	N/A
Total toll revenue	<u>3,193,138</u>	<u>100.0</u>	<u>3,649,754</u>	<u>100.0</u>	-12.5

⁽¹⁾ Toll revenue accounted for the period from 19 November 2022 to 31 December 2022

⁽²⁾ Toll revenue accounted for the period from 1 January 2021 to 6 December 2021

Other revenue

In the Reporting Year, the Group recorded other revenue related to normal toll roads operation of RMB95,785,000 (2021: RMB52,522,000), mainly comprising the income from service area and gas station of RMB34,408,000 (2021: RMB40,469,000), entrusted road management service income of RMB32,114,000 (2021: Nil) and construction service income of RMB23,783,000 (2021: Nil).

Cost of services

In the Reporting Year, the Group's total cost of services amounted to RMB1,569,535,000, representing an increase of 6.1 percent from RMB1,479,030,000 in 2021. In the Reporting Year, the total cost of services of the Group's controlled projects amounted to RMB1,553,664,000. Overall cost ratio (cost of services/revenue) was 47.7 percent in the Reporting Year, which was 7.8 percentage higher than that of 2021.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting	Percentage	Percentage		Change
	Year	of total	2021	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	414,570	26.7	355,745	24.0	16.5
Suiyuanan Expressway	225,889	14.5	202,401	13.7	11.6
Weixu Expressway	146,160	9.4	157,681	10.7	-7.3
Daguangnan Expressway	215,116	13.8	195,741	13.2	9.9
Changzhu Expressway	132,331	8.5	125,626	8.5	5.3
Hancai Expressway	164,490	10.6	160,840	10.9	2.3
Han'e Expressway	135,386	8.7	125,365	8.5	8.0
Cangyu Expressway	47,231	3.1	35,670	2.4	32.4
Jinxiong Expressway	54,261	3.5	56,679	3.8	-4.3
Lanwei Expressway	18,230 ⁽¹⁾	1.2	—	—	N/A
Han-Xiao Expressway	—	—	63,282 ⁽²⁾	4.3	N/A
Total	<u>1,553,664</u>	<u>100.0</u>	<u>1,479,030</u>	<u>100.0</u>	5.0

⁽¹⁾ Cost of services accounted for the period from 19 November 2022 to 31 December 2022

⁽²⁾ Cost of services accounted for the period from 1 January 2021 to 6 December 2021

Analysis of controlled projects' cost of services by nature

	Reporting Year RMB'000	Percentage of total %	2021 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	1,146,491	73.8	1,061,270	71.8	8.0
Staff costs	158,747	10.2	165,840	11.2	-4.3
Toll highways and bridges maintenance expenses	119,613	7.7	121,334	8.2	-1.4
Toll highways and bridges operating expenses	109,567	7.0	105,737	7.1	3.6
Taxes and surcharges	12,181	0.8	19,073	1.3	-36.1
Depreciation of other fixed assets	7,065	0.5	5,776	0.4	22.3
Total	<u>1,553,664</u>	<u>100.0</u>	<u>1,479,030</u>	<u>100.0</u>	5.0

Gross profit

Gross profit in the Reporting Year was RMB1,719,388,000, representing a decrease of 22.7 percent from RMB2,223,246,000 in 2021. The total gross profit of the Group's controlled projects in the Reporting Year was RMB1,703,145,000. Overall gross profit margin in the Reporting Year was 52.3 percent, which was 7.8 percentage point lower than that of 2021.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2021	
	Gross Profit RMB'000	Gross Margin ⁽¹⁾	Gross Profit RMB'000	Gross Margin ⁽¹⁾
GNSR Expressway	595,743	59.0%	775,429	68.6%
Suiyuanan Expressway	417,080	64.9%	423,960	67.7%
Weixu Expressway	244,427	62.6%	194,079	55.2%
Daguangnan Expressway	184,649	46.2%	265,778	57.6%
Changzhu Expressway	99,396	42.9%	143,903	53.4%
Hancai Expressway	63,349	27.8%	99,411	38.2%
Han'e Expressway	24,131	15.1%	91,250	42.1%
Cangyu Expressway	41,807	47.0%	53,828	60.1%
Jinxiong Expressway	18,695	25.6%	24,696	30.3%
Lanwei Expressway	13,868 ⁽²⁾	43.4%	—	—
Han-Xiao Expressway	—	—	150,912 ⁽³⁾	70.5%
Total	1,703,145	52.3%	2,223,246	60.1%

⁽¹⁾ Gross margin = Gross profit/revenue

⁽²⁾ Gross profit accounted for the period from 19 November 2022 to 31 December 2022

⁽³⁾ Gross profit accounted for the period from 1 January 2021 to 6 December 2021

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB310,419,000, representing a decrease of 16.0 percent from RMB369,664,000 in 2021. The decrease was mainly due to the (i) decrease in staff cost of RMB52,302,000 and (ii) decrease in legal and professional fees of RMB15,401,000 during the Reporting Year.

Other income, gains and losses – net

The Group's other income, gains and losses – net was RMB45,973,000 in the Reporting Year (2021: RMB800,120,000), which was 94.3 percent lower than that of 2021. The changes were mainly due to the absence of gain on disposal recognised as a result of the spin-off of Hubei Han-Xiao Expressway (2021: RMB960,976,000) and the respective impairment losses on Jinxiong Expressway (2021: RMB97,302,000) and Humen Bridge (2021: RMB128,186,000) made during the Reporting Year.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB63,617,000 (2021: RMB43,884,000), which was 45.0 percent higher than that of 2021. The increase was mainly due to the increase in interest income generated by an increase in average cash and cash equivalents in the banks during the Reporting Year.

The Group's finance costs in the Reporting Year decreased by 15.8 percent to RMB625,483,000 as compared with RMB743,027,000 in 2021. The decrease in finance costs was mainly due to management's continuous effort in optimising the overall debt structure to reduce finance costs. The Group's overall weighted average interest rate in the Reporting Year was 3.60 percent (2021: 3.87 percent).

Share of results of associates and a joint venture, net of tax

The Group's share of results of associates and a joint venture, net of tax, decreased by 34.7 percent to RMB172,264,000 in the Reporting Year (2021: RMB263,791,000). The decrease was mainly due to the impact of COVID-19 control, the policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter and the overall economic conditions during the Reporting Year. More details of the toll revenue of each expressway and bridge are stated in the "Business Review – Expressways, Bridges and Port" section of this announcement.

Share of post-tax profit of Humen Bridge in the Reporting Year decreased by 8.2 percent to RMB62,424,000. Share of post-tax profit of Northern Ring Road in the Reporting Year decreased by 25.1 percent to RMB52,145,000. Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 38.5 percent to RMB18,282,000. Share of post-tax loss of Qinglian Expressway in the Reporting Year amounted to RMB15,352,000 (2021: share of post-tax profit of RMB28,904,000). Share of post-tax loss of Pazhou Port in the Reporting Year was RMB7,902,000 (2021: RMB9,426,000). As the approval of the opening of Pazhou Port is being considered, there was no revenue recognised in the Reporting Year. The Pazhou Port's share of post-tax loss mainly represented the general and administrative expense recorded during the Reporting Year. Upon the completion of the spin-off of Hubei Han-Xiao Expressway on 14 December 2021, the Group effectively holds 30% equity interest in Hubei Han-Xiao Expressway through the Huaxia Yuexiu Expressway REIT. Share of post-tax profit of Huaxia Yuexiu Expressway REIT in the Reporting Year was RMB9,410,000. Share of post-tax profit of GWSR Expressway in the Reporting Year decreased by 30.8 percent to RMB53,257,000.

Analysis of share of results of associates and a joint venture, net of tax, and the revenue of their respective entities

	Profit Sharing ratio %	Revenue	YoY change %	Share of results, net of tax	
		Reporting Year RMB'000		Reporting Year RMB'000	YoY change %
Associates					
Humen Bridge	18.446	728,986	-18.1	62,424	-8.2
Northern Ring Road	24.3	677,459	-9.8	52,145	-25.1
Shantou Bay Bridge	30.0	141,941	-25.1	18,282	-38.5
Huaxia Yuexiu Expressway REIT	30.0	204,839	N/A	9,410	N/A
Qinglian Expressway	23.63	618,872	-29.6	(15,352)	turned losses
Pazhou Port	45.0	—	—	(7,902)	-16.2
Joint venture					
GWSR Expressway	35.0	410,524	-19.4	53,257	-30.8

Income tax expense

Total income tax expense of the Group in the Reporting Year decreased by 23.1 percent to RMB327,529,000 (2021: RMB425,656,000). The decrease was mainly due to the decrease in profit before tax brought by the outbreak of the COVID-19 pandemic, the policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter and the overall economic conditions during the Reporting Year.

Profit attributable to shareholders of the Company

The Company reported a profit attributable to its shareholders of RMB453,114,000 in the Reporting Year, representing a decrease of 69.1 percent from RMB1,464,984,000 in 2021. The decrease was mainly due to the revenue decrement and absence of the gain on disposal recognised as a result of the spin off of Hubei Han-Xiao Expressway (2021: RMB960,976,000) during the Reporting Year.

The management team continues to optimise the Group's overall debt structure. As part of such optimisation, inter-company loan interests were incurred at the controlled projects level and the holding companies level, and such interests would be ultimately eliminated at the consolidated level.

Analysis of the profit attributable to shareholders of the Company (after elimination of inter-company loan interests)

	Reporting Year RMB'000	Percentage of total %	2021 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	899,016	83.9	1,186,286	89.7	-24.2
Net profit from non-controlled projects ⁽¹⁾	172,264	16.1	135,604	10.3	27.0
Net profit from projects	1,071,280	100.0	1,321,890	100.0	-19.0
Withholding tax on PRC dividend/ income	(35,065)		(17,816)		96.8
Holding companies expenses	(231,622)		(366,171)		-36.7
Holding companies income/gains, net	18,417		15,118		21.8
Holding companies finance income	49,183		21,250		131.4
Holding companies finance costs	(419,079)		(470,263)		-10.9
Profit attributable to shareholders of the Company before disposal gain	453,114		504,008		-10.1
Gain on disposal of a subsidiary	—		960,976		-100.0
Profit attributable to shareholders of the Company	453,114		1,464,984		-69.1

⁽¹⁾ Representing share of results of associates and a joint venture, net of tax, less impairment loss on investment in an associate

Analysis of net profit by each controlled project (after elimination of inter-company loan interests)

Controlled Projects	Reporting	Percentage	2021	Percentage	Change
	Year	of total net		of total net	
	RMB'000	profit from	RMB'000	profit from	%
		projects		projects	%
		%		%	%
GNSR Expressway	319,399	29.8	403,157	30.5	-20.8
Suiyuanan Expressway	209,242	19.6	173,303	13.1	20.7
Weixu Expressway	173,866	16.2	148,212	11.2	17.3
Changzhu Expressway	94,285	8.8	112,675	8.5	-16.3
Daguangnan Expressway	79,661	7.4	160,134	12.1	-50.3
Cangyu Expressway	31,927	3.0	59,962	4.5	-46.8
Hancai Expressway	31,273	2.9	58,263	4.4	-46.3
Lanwei Expressway	7,867 ⁽¹⁾	0.7	—	—	N/A
Jinxiong Expressway					
– operation	5,096	0.5	8,752	0.7	-41.8
– impairment loss	—	—	(43,786)	-3.3	-100.0
Han'e Expressway	(53,600)	-5.0	5,255	0.4	turned losses
Han-Xiao Expressway	—	—	100,359 ⁽²⁾	7.6	N/A
Total	899,016	83.9	1,186,286	89.7	-24.2

⁽¹⁾ Net profit (after elimination of inter-company loan interests) accounted for the period from 19 November 2022 to 31 December 2022

⁽²⁾ Net profit (after elimination of inter-company loan interests) accounted for the period from 1 January 2021 to 6 December 2021

Analysis of net profit by each controlled project (before elimination of inter-company loan interests)

Controlled Projects	Reporting Year RMB'000	Percentage of total net profit from projects⁽¹⁾ %	2021 RMB'000	Percentage of total net profit from projects⁽¹⁾ %	Change %
GNSR Expressway	319,399	37.9	403,157	37.7	-20.8
Suiyuanan Expressway	191,865	22.7	189,924	17.7	1.0
Weixu Expressway	175,085	20.7	150,945	14.1	16.0
Changzhu Expressway	45,482	5.4	61,264	5.7	-25.8
Daguangnan Expressway	(24,223)	-2.9	13,625	1.3	turned losses
Cangyu Expressway	32,937	3.9	60,870	5.7	-45.9
Hancai Expressway	(7,484)	-0.9	13,390	1.2	turned losses
Lanwei Expressway	7,867⁽²⁾	0.9	—	—	N/A
Jinxiong Expressway					
– operation	5,563	0.7	9,064	0.8	-38.6
– impairment loss	—	—	(43,786)	-4.1	-100.0
Han'e Expressway	(74,968)	-8.8	(29,082)	-2.7	157.8
Han-Xiao Expressway	—	—	105,534 ⁽³⁾	9.9	N/A
Total	<u>671,523</u>	<u>79.6</u>	<u>934,905</u>	<u>87.3</u>	-28.2

⁽¹⁾ Representing net profit from projects before elimination of inter-company loans interests

⁽²⁾ Net profit (before elimination of inter-company loan interests) accounted for the period from 19 November 2022 to 31 December 2022

⁽³⁾ Net profit (before elimination of inter-company loan interests) accounted for the period from 1 January 2021 to 6 December 2021

In the Reporting Year, net profit from non-controlled projects increased by 27.0 percent to RMB172,264,000 (2021: RMB135,604,000) as compared with 2021. Excluding the impairment loss of Humen Bridge recorded in 2021 (2021: RMB128,186,000), the net profit from non-controlled projects decreased by 34.7 percent as compared with 2021. This was mainly due to the impact of COVID-19 control, the policy of 10% reduction on the truck toll charges on toll roads for the fourth quarter and the overall economic conditions during the Reporting Year.

During the Reporting Year and at the holding companies level, the withholding tax on PRC dividend/income increased by RMB17,249,000; holding companies expenses decreased by RMB134,549,000, mainly due to decrease in staff costs and legal and professional fees during the Reporting Year; holding companies income/gains, net increased by RMB3,299,000 during the Reporting Year; and holding companies finance income increased by RMB27,933,000, mainly due to the increase in interest income from banks at holding companies level during the Reporting Year. In addition, holding companies finance cost decreased by RMB51,184,000, mainly due to management's optimisation of debt portfolio during the Reporting Year.

Final dividend

The Board has recommended the payment of final dividend for 2022 of HK\$0.10 which is equivalent to approximately RMB0.0883 (2021: HK\$0.41 which was equivalent to approximately RMB0.3317) per share payable to shareholders whose names appear on the register of members of the Company on 21 June 2023. Subject to the approval of shareholders at the Annual General Meeting to be held on 13 June 2023, the final dividend will be paid on or about 29 June 2023. Together with the interim dividend of HK\$0.10 which was equivalent to approximately RMB0.0861 (2021: HK\$0.20 which was equivalent to approximately RMB0.1663) per share, the total dividend for the year ended 31 December 2022 amounts to HK\$0.20 which is equivalent to approximately RMB0.1744 (2021: HK\$0.61 which was equivalent to approximately RMB0.4980) per share, representing a dividend payout ratio of 64.4 percent (2021: 56.9 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars ("HK\$"). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK\$ to RMB, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividend.

III. Analysis of financial position

Key financial position figures

	Reporting Year RMB'000	2021 RMB'000	Change %
Total assets	36,337,410	35,661,108	1.9
Total liabilities	22,102,435	21,188,359	4.3
Cash and cash equivalents	2,480,267	2,918,574	-15.0
Total debts	17,561,068	16,543,589	6.2
of which: Bank borrowings*	9,285,666	9,590,774	-3.2
Other borrowing*	—	200,000	-100.0
Corporate bonds*	3,114,362	3,112,693	0.1
Notes payable*	4,994,698	3,493,891	43.0
Current ratio	0.4 times	0.7 times	
EBITDA interest coverage	4.7 times	4.6 times	
Equity attributable to the shareholders of the Company	11,230,445	11,511,515	-2.4

* *excluding interest payable*

Assets, Liabilities and Equity

As at 31 December 2022, the Group's total assets amounted to RMB36.337 billion, which was 1.9 percent higher than the balance as at 31 December 2021. The Group's total assets consisted mainly of intangible operating rights of RMB30.641 billion (31 December 2021: RMB29.186 billion); investments in a joint venture and associates of RMB2.287 billion (31 December 2021: RMB2.561 billion); and cash and cash equivalents of RMB2.480 billion (31 December 2021: RMB2.919 billion).

As at 31 December 2022, the Group's total liabilities amounted to RMB22.102 billion, which was 4.3 percent higher than the balance as at 31 December 2021. The Group's total liabilities consisted mainly of bank borrowings of RMB9.286 billion (31 December 2021: RMB9.591 billion); corporate bonds of RMB3.114 billion (31 December 2021: RMB3.113 billion); notes payable of RMB4.995 billion (31 December 2021: RMB3.494 billion); loan from the immediate holding company of RMB0.10 billion (31 December 2021: Nil); loans from non-controlling interests of RMB50,368,000 (31 December 2021: RMB72,287,000); and deferred income tax liabilities of RMB3.052 billion (31 December 2021: RMB3.046 billion).

As at 31 December 2022, the Group's total equity decreased by RMB0.238 billion to RMB14.235 billion (31 December 2021: RMB14.473 billion), of which RMB11.230 billion was attributable to the shareholders of the Company (31 December 2021: RMB11.512 billion).

Analysis of major assets, liabilities and equity items

Items	Reporting	2021	Change
	Year		
	RMB'000	RMB'000	%
Total assets	36,337,410	35,661,108	1.9
Approximately 90.0 % of which:			
Intangible operating rights	30,641,331	29,186,460	5.0
Investments in a joint venture and associates	2,286,943	2,560,928	-10.7
Cash and cash equivalents	2,480,267	2,918,574	-15.0
Total liabilities	22,102,435	21,188,359	4.3
Approximately 90.0 % of which:			
Bank borrowings* – due within 1 year	2,504,061	2,039,815	22.8
– long-term portion	6,781,605	7,550,959	-10.2
Other borrowing* – due within 1 year	—	200,000	-100.0
Corporate bonds* – due within 1 year	615,268	—	N/A
– long-term portion	2,499,094	3,112,693	-19.7
Notes payable* – due within 1 year	2,996,235	995,671	200.9
– long-term portion	1,998,463	2,498,220	-20.0
Loan from the immediate holding company			
– due within 1 year	100,000	—	N/A
Loans from non-controlling interests – due within			
1 year	10,000	10,000	—
– long-term			
portion	40,368	62,287	-35.2
Loan from a joint venture – due within 1 year	—	52,500	-100.0
Deferred income tax liabilities	3,052,185	3,046,469	0.2
Total equity	14,234,975	14,472,749	-1.6
Of which: Equity attributable to the shareholders			
of the Company	11,230,445	11,511,515	-2.4

* excluding interest payable

Cash flows

The Group's primary objective is focused on preventing risks and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risks. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to RMB2.480 billion, which was 15.0 percent lower than the amount as at 31 December 2021. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

Analysis of cash flow movement

	Reporting Year RMB'000	2021 RMB'000
Net cash generated from operating activities	2,210,569	2,569,950
Net cash (used in)/generated from investing activities	(668,383)	1,285,411
Net cash used in financing activities	(1,980,948)	(2,450,825)
(Decrease) /increase in cash and cash equivalents	(438,762)	1,404,536
Cash and cash equivalents at 1 January	2,918,574	1,516,004
Effect of exchange rate changes on cash and cash equivalents	455	(1,966)
Cash and cash equivalents at 31 December	<u>2,480,267</u>	<u>2,918,574</u>

Net cash generated from operating activities during the Reporting Year amounted to RMB2.211 billion (2021: RMB2.570 billion), which was the sum of cash generated from operations of RMB2.577 billion (2021: RMB3.069 billion) less PRC enterprise income tax and withholding tax paid of RMB0.366 billion (2021: RMB0.499 billion).

Net cash used in investing activities during the Reporting Year amounted to RMB0.668 billion (2021: net cash generated of RMB1.285 billion). The outflow mainly consisted of capital expenditures of RMB1.198 billion (2021: RMB1.013 billion) and increase in loan to an associate of RMB6,406,000 (2021: Nil). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB0.471 billion (2021: RMB0.202 billion); interest received in aggregate of RMB64,545,000 (2021: RMB38,167,000) and proceeds from disposal of property, plant and equipment of RMB541,000 (2021: RMB146,000). During the Reporting Year, there was no proceeds from disposal of Hubei Han-Xiao Expressway (2021: RMB2.031 billion) and no proceeds from compensation arrangement (2021: RMB27,090,000).

Net cash used in financing activities during the Reporting Year amounted to RMB1.981 billion (2021: RMB2.451 billion). The outflow mainly included repayment of bank borrowings of RMB6.596 billion (2021: RMB7.10 billion); repayment of notes payable of RMB1.0 billion (2021: Nil); dividend paid to the shareholders of the Company of RMB0.740 billion (2021: RMB0.376 billion); payment of finance costs and related fees of RMB0.572 billion (2021: RMB0.633 billion); repayment of other borrowings of RMB0.20 billion (2021: Nil); dividend paid to non-controlling interests of RMB0.308 billion (2021: RMB0.595 billion); repayment of loan from a joint venture of RMB52,500,000 (2021: RMB94,500,000); repayments of loans from non-controlling interest of subsidiaries of RMB22,000,000 (2021: RMB8,516,000); payment for lease liabilities (including interest) of RMB11,736,000 (2021: RMB11,915,000) and no repayment of corporate bonds (2021: RMB1.293 billion). The inflow mainly included the drawdown of bank borrowings of RMB4.860 billion (2021: RMB4.171 billion); net proceeds from notes payable of RMB2.495 billion (2021: RMB0.997 billion); drawdown of loan from the immediate holding company of RMB0.10 billion (2021: Nil); capital contribution from non-controlling interest of RMB66,667,000 (2021: Nil) and no net proceeds from corporate bonds (2021: RMB2.494 billion).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2022 was 0.4 times (31 December 2021: 0.7 times). As at 31 December 2022, current assets balance was RMB2.776 billion (31 December 2021: RMB3.293 billion) and current liabilities balance was RMB7.433 billion (31 December 2021: RMB4.594 billion). Cash and cash equivalents were the major components of the Group's current assets and amounted to RMB2.480 billion as at 31 December 2022 (31 December 2021: RMB2.919 billion). The Group's current liabilities as at 31 December 2022 mainly included external debts with maturities within one year (excluding interest payable) of RMB6.115 billion (31 December 2021: RMB3.236 billion), which consisted of bank borrowings of RMB2.504 billion, notes payable of RMB2.996 billion and corporate bonds of RMB0.615 billion (31 December 2021: bank borrowings of RMB2.04 billion, notes payable of RMB0.996 billion and other borrowing of RMB0.2 billion). The management will continue to take a prudent approach to effectively match capital and debt commitments with existing cash, future operating cash flow and cash return from investments, in order to manage liquidity risks. Taking into account the additional financing facilities available to the Group and the internally generated funds from operations, the management is confident that the Group will be able to meet its liabilities as they fall due in the next twelve months.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 31 December 2022 was 4.7 times (31 December 2021: 4.6 times), which was measured as the ratio of earnings before interests, tax, depreciation and amortisation (“EBITDA”) to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the year ended 31 December 2022 was 16.5 percent (31 December 2021: 20.1 percent), which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, other borrowing, corporate bonds and notes payable (“total external debts”).

Profit before interest and income tax interest coverage for the year ended 31 December 2022 was 2.8 times (31 December 2021: 3.1 times), which was measured as the ratio of profit before interest and income tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2022 was 5.5 times (31 December 2021: 5.8 times), which was measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB1.198 billion (2021: RMB1.013 billion). Capital expenditures related to investment in subsidiary include payment of considerations to the acquisition of Henan Lanwei Expressway (net of cash acquired) of approximately RMB0.862 billion (2021: Nil). There was no investment in associate during the Reporting Year (2021: RMB0.639 billion). Capital expenditures related to intangible operating rights and fixed assets included: (1) payments of construction costs of toll highways and bridges upgrade services of RMB0.311 billion (2021: RMB0.352 billion) and (2) purchase of property, plant and equipment of RMB24,454,000 (2021: RMB22,063,000). Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Year. Going forward, the management believes that the Group’s operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

It is one of the Group’s financial policies to maintain a balanced capital structure, which aims to strike a balance between enhancing profitability and ensuring financial leverage ratios to remain at safe levels.

Analysis of capital structures

	Reporting Year RMB'000	2021 RMB'000
External debts*		
Bank borrowings	9,285,666	9,590,774
Other borrowing	—	200,000
Corporate bonds ⁽¹⁾	3,114,362	3,112,693
Notes payable ⁽²⁾	4,994,698	3,493,891
Loan from the immediate holding company	100,000	—
Loans from non-controlling interests	50,368	72,287
Loan from a joint venture	—	52,500
Lease liabilities	15,974	21,444
	<hr/>	<hr/>
Total debts	17,561,068	16,543,589
Less: cash and cash equivalents	(2,480,267)	(2,918,574)
	<hr/>	<hr/>
Net debt	15,080,801	13,625,015
Total Equity	14,234,975	14,472,749
	<hr/>	<hr/>
Total capitalisation (Net debt + Total equity)	<u>29,315,776</u>	<u>28,097,764</u>

* *excluding interest payable*

Financial ratios

Gearing ratio (net debt/total capitalisation)	51.4%	48.5%
Debt to Equity ratio (net debt/total equity)	105.9%	94.1%
Total liabilities/Total assets ratio	60.8%	59.4%

(1) As at 31 December 2022, the details of the corporate bonds issued in the Shanghai Stock Exchange:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Next interest payment date:
RMB700 million seven-year corporate bonds (2016 Phase 1)	22 March 2016	RMB87 million	21 March 2023	3.60%	21 March 2023
RMB800 million seven-year corporate bonds (2016 Phase 2)	28 October 2016	RMB530 million	26 October 2023	3.18%	26 October 2023
RMB1,000 million five-year corporate bonds (2021 Phase 1)	25 January 2021	RMB1,000 million	25 January 2026	3.63%	25 January 2023
RMB1,000 million five-year corporate bonds (2021 Phase 2)	13 May 2021	RMB1,000 million	13 May 2026	3.48%	13 May 2023
RMB500 million seven-year corporate bonds (2021 Phase 2)	13 May 2021	RMB500 million	13 May 2028	3.84%	13 May 2023

(2) As at 31 December 2022, the details of the notes payable issued in the Beijing Financial Assets Exchange:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Next interest payment date:
RMB1,000 million three-year medium term notes (2020 Phase 1)	10 January 2020	RMB1,000 million	10 January 2023	3.47%	10 January 2023
RMB500 million three-year medium term notes (2020 Phase 2)	14 August 2020	RMB500 million	14 August 2023	3.54%	14 August 2023
RMB1,000 million five-year medium term notes (2021 Phase 1)	28 January 2021	RMB1,000 million	28 January 2026	3.78%	28 January 2023
RMB1,000 million five-year medium term notes (2022 Phase 1)	18 March 2022	RMB1,000 million	18 March 2027	3.28%	18 March 2023
RMB500 million 270 days super short-term commercial paper (2022 Phase 1)	23 May 2022	RMB500 million	17 February 2023	2.10%	17 February 2023
RMB500 million 263 days super short-term commercial paper (2022 Phase 2)	8 August 2022	RMB500 million	28 April 2023	1.77%	28 April 2023
RMB500 million 270 days super short-term commercial paper (2022 Phase 3)	31 October 2022	RMB500 million	28 July 2023	1.81%	28 July 2023

Financing structures

In a way to ensure that the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimise its debt portfolio further. In order to effectively maintain cost-efficient funding, the Group will: (1) continue to maintain close banking relationship with financial institutions both in Hong Kong and China, to capitalise on the different levels of liquidity offered by, and to take advantage of the cost differentials, in these two markets and in international markets; and (2) strike a balance between lowering interest rate and mitigating exchange risk exposure. As at the end of the Reporting Year, the Group's total debts comprised bank borrowings, corporate bonds, notes payable, loan from the immediate holding company, loans from non-controlling interests and lease liabilities. There was no debt with foreign exchange risk exposure as at 31 December 2022 (31 December 2021: approximately RMB0.245 billion).

As at 31 December 2022, the Group's total external debts (excluding interest payable) in aggregate were RMB17.395 billion (31 December 2021: RMB16.397 billion), which consisted of bank borrowings of RMB9.286 billion (31 December 2021: RMB9.591 billion), corporate bonds of RMB3.114 billion (31 December 2021: RMB3.113 billion), notes payable of RMB4.995 billion (31 December 2021: RMB3.494 billion) and no other borrowing (31 December 2021: RMB0.2 billion). Onshore and offshore debts ratio was 97.4 percent and 2.6 percent (31 December 2021: 92.6 percent and 7.4 percent). Secured external debt ratio was 37.9 percent (31 December 2021: 33.3 percent). The effective interest rate of total external debt at 31 December 2022 was 3.38 percent (31 December 2021: 3.85 percent). Of the bank borrowings, RMB7.936 billion was at floating rates and RMB1.350 billion was at fixed rates with the overall effective interest rate of 3.38 percent at 31 December 2022 (31 December 2021: 3.88 percent). Corporate bonds (in five types) were at fixed rates with coupon rates of 3.60 percent, 3.18 percent, 3.63 percent, 3.48 percent and 3.84 percent respectively with the overall effective interest rate at 3.65 percent as at 31 December 2022 (31 December 2021: 3.65 percent). Notes payable included medium term notes (in four tranches) were at fixed rates with coupon rates of 3.47 percent, 3.54 percent, 3.78 percent and 3.28 percent respectively and super short-term commercial paper (in three tranches) was at fixed rate with coupon rate of 2.1 percent, 1.77 percent and 1.81 percent respectively, with the overall effective interest rate at 3.22 percent as at 31 December 2022 (31 December 2021: 3.80 percent).

Analysis of total external debts* (bank borrowings, other borrowing, corporate bonds and notes payable)

	Reporting Year Percentage of total	2021 Percentage of total
Source		
Onshore	97.4%	92.6%
Offshore	2.6%	7.4%
	100.0%	100.0%
Repayment term		
Within 1 year	35.2%	19.7%
1 to 2 years	23.5%	25.4%
More than 2 years and less than 5 years	25.7%	36.8%
Above 5 years	15.6%	18.1%
	100.0%	100.0%
Currency		
RMB	100.0%	98.5%
HKD	—	1.5%
	100.0%	100.0%
Interest rate		
Fixed	54.4%	47.4%
Floating	45.6%	52.6%
	100.0%	100.0%
Terms of credit		
Secured	37.9%	33.3%
Unsecured	62.1%	66.7%
	100.0%	100.0%
Financing method		
Direct financing	46.6%	40.3%
Indirect financing	53.4%	59.7%
	100.0%	100.0%

* *excluding interest payable*

Loan from the immediate holding company is unsecured, interest bearing at an annual rate 3.15%, denominated in RMB and repayable in 2023.

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and denominated in RMB. The carrying amounts of these loans approximated their fair values, calculated based on cash flows discounted at a rate of 4.35 percent (2021: 4.35 percent) per annum. Loans from non-controlling interests of certain subsidiaries are repayable between one and five years, except for RMB10,000,000 which is due within one year.

Loan from a joint venture was unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10%, denominated in RMB and it was fully repaid during the Reporting Year.

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. All of its major revenue, operating expenses, capital expenditures and its external debts (31 December 2021: 98.5 percent) are denominated in RMB. As at the end of the Reporting Year, the Group has no material foreign-currency denominated assets and liabilities. As the foreign exchange market is still volatile, the Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimise its debt structure and control its foreign currency exposure.

IV. Capital commitments and contingent liabilities

As at 31 December 2022, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB0.512 billion was contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2022. There were no significant contingent liabilities as at 31 December 2022.

V. Employees

As at 31 December 2022, the Group had approximately 2,164 employees, of whom about 1,930 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including social insurance, contributory provident funds, share options and other staff benefits.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

The Group is committed to maintaining a high level of corporate governance as well as good and effective communication mechanism with capital markets. In this regard, the Group has been maintaining open dialogues with investors and industry researchers and, subject to compliance with disclosure requirements, will proactively provide timely and accurate information, including monthly operational data for each project and strategic business developments.

On the basis of strict compliance requirements on information disclosure of the regulatory authorities, the Group, including executive directors and senior management, initiated proactive communication continuously by meeting and communicating with shareholders, industry researchers, domestic and foreign investors who are concerned about the Group regularly through various platforms and channels, including conducting online conferences for results announcement, participating in online roadshows for results announcement and various industry seminars, to disseminate positive information and stabilise market confidence. Furthermore, in the process of communicating with investors and other groups, the Group extensively collected feedback from the market and used it as a reference for improving its governance and management standards.

During the Reporting Year, investment banks such as HSBC, HTSC, CICC, DBS Bank, Dongxing Securities, Haitong International, Galaxy International and China Merchants Securities released research coverage reports on the Group successively, and institutions such as HSBC, HTSC and China Merchants Securities also organised market briefings on the Group successively and arranged meetings with international institutional investors, which was a sufficient reflection of the Group's popularity and impact in the capital market.

During the Reporting Year, major investor relations activities of the Group included the following:

- Provided feedback of investors' enquiries in a timely manner through e-mail, telephone and other forms, and released monthly operational data to investors on regular basis.
- Initiated in-depth communication with investors and industry researchers in the form of online meetings.

- Communicated with domestic and worldwide investors through launching activities such as press conferences for results announcement, participating in results roadshows, which included:

Month	Venue and Form	Event	Organiser
March	Guangzhou Conference call	2021 Annual Results Roadshow	HSBC
March	Guangzhou Physical Meeting	2021 Annual Results Roadshow	HTSC
May	Guangzhou Conference call	2021 Annual Results Roadshow	China Merchants Securities
August	Guangzhou Conference call	2022 Interim Results Roadshow	HSBC
August	Guangzhou Conference call	2022 Interim Results Roadshow	HTSC
October	Guangzhou Conference call	Non-deal Roadshow of the Company	The Company

As the recognition of our performance, corporate governance standards and investor relations efforts, during the Reporting Year, the Group was awarded the following honors for listed companies by renowned media outlets such as Bloomberg Business Weekly, Capital Magazine and Quamnet:

Bloomberg Business Weekly: Listed Enterprises of the Year 2022

Capital Magazine: Listed Enterprise Excellence Awards 2021 and 2022

Quamnet: Quamnet Outstanding Enterprise Awards 2021 and 2022

The Institute of ESG & Benchmark (or “IESGB”): ESG Achievement Awards 2021/2022 Gold Award

League of American Communications Professionals LLC (LACP) 2021 Vision Awards – a total of four awards received as follows

- 1) Gold Award
- 2) Top 80 Annual Reports in the Asia-Pacific Region
- 3) Top 50 Chinese Annual Reports
- 4) Technical Achievement Award

The International Annual Report Design Awards (IADA) – a total of four awards received as follows

- 1) Bronze Cover Design
(Category: Transportation & Logistic)
- 2) Honors Integrated Presentation
(Category: Transportation & Logistic)
- 3) Honors Cover Design
(Category: Infrastructure)
- 4) Honors Integrated Presentation
(Category: Infrastructure)

CONSISTENT RETURN TO SHAREHOLDERS

While leveraging on the capital market for rapid development, the Group also understands that a positive return to shareholders should be regarded as an important mission and the operation philosophy for an enterprise. Since listing, the Group has distributed cash dividends for over 20 consecutive years, which served as stable return to our shareholders while we recorded consistent growth of our operating results.

	2016	2017	2018	2019	2020	2021	2022
Earnings per share (RMB)	0.5491	0.5666	0.6300	0.6799	0.0959	0.8756	0.2708
Dividend per share (HKD)	0.33	0.36	0.39	0.39	0.07	0.61	0.20
Dividend payout ratio	52.5%	52.4%	53.6%	51.5%	60.9%	56.9%	64.4%

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2022, the Company has complied with the code provisions as set out in the Corporate Governance Code.

REVIEW OF ANNUAL RESULTS

The annual results announcement has been reviewed by the audit committee of the Company.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed

by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the Reporting Year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 June 2023 to Tuesday, 13 June 2023, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 13 June 2023, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Wednesday, 7 June 2023.

In addition, the register of members of the Company will be closed from Tuesday, 20 June 2023 to Wednesday, 21 June 2023, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Monday, 19 June 2023.

By Order of the Board
Yuexiu Transport Infrastructure Limited
LI Feng
Chairman

Hong Kong, 6 March 2023

As at the date of this announcement, the Board comprises:

Executive Directors: **LI Feng (Chairman), HE Baiqing, CHEN Jing and CAI Minghua**

Independent Non-executive Directors: **FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu**