ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN GUANGSHEN COASTAL EXPRESSWAY INVESTMENT COMPANY LIMITED TO THE DIRECTORS OF SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED

Introduction

We report on the historical financial information of Shenzhen Guangshen Coastal Expressway Investment Company Limited (the "**Coastal Company**") as set out on pages III-4 to III-35, which comprises the statements of financial position of the Coastal Company as at 31 December 2019, 2020, 2021 and 30 April 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Coastal Company for each of the three years ended 31 December 2021 and the four months ended 30 April 2022 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages III-4 to III-35 forms an integral part of this report, which has been prepared for inclusion in the circular of Shenzhen Investment Holdings Bay Area Development Company Limited (the "**Company**") dated 23 September 2022 (the "**Circular**") in connection with the proposed acquisition of 51% equity interests in the Coastal Company.

Directors' responsibility for the Historical Financial Information

The directors of the Coastal Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Coastal Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Coastal Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

WorldClass
智启非凡

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Coastal Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Coastal Company's financial position as at 31 December 2019, 2020, 2021 and 30 April 2022 and of the Coastal Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Coastal Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 30 April 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Coastal Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

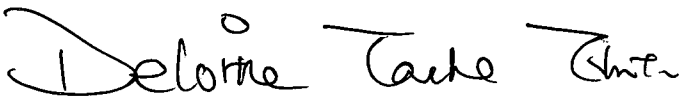
Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Historical Financial Statements as defined on page III-4 as were considered necessary.

Dividends

We refer to Note 27 to the Historical Financial Information which states that no dividend was declared or paid by the Coastal Company in respect of the Relevant Periods.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 September 2022

HISTORICAL FINANCIAL INFORMATION OF THE COASTAL COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the previously issued financial statements of the Coastal Company for the three years ended 31 December 2021 prepared in accordance with the relevant accounting rules and finance regulations applicable to enterprise in the People's Republic of China (the "**PRC**") audited by Pan-China Certified Public Accountants Shenzhen Branch, a firm of certified public accountants registered in the PRC, and management accounts of the Coastal Company for the period from 1 January 2022 to 30 April 2022 prepared in accordance with the relevant accounting rules and finance regulations applicable to enterprise in the PRC (the "**Historical Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Four months ended 30 April	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	694,278	470,960	613,511	186,718	143,067
Cost of sales		(451,052)	(288,272)	(356,038)	(112,465)	(84,692)
Gross profit		243,226	182,688	257,473	74,253	58,375
Other income	*7(a)*	18,783	37,633	25,420	7,621	8,433
Other gain and loss	*7(b)*	1,420	—	103	2	—
General and administrative expenses		(213)	(281)	(146)	(88)	(12)
Finance costs	*8*	(117,296)	(21,362)	(3,516)	(1,155)	(90)
Profit before tax	*9*	145,920	198,678	279,334	80,633	66,706
Income tax credit (expense)	*10*	434,463	(52,822)	(78,890)	(20,430)	(48,777)
Profit and total comprehensive income for the year/period		580,383	145,856	200,444	60,203	17,929

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	At 30 April 2022 RMB'000
Non-current assets					
Concession intangible assets	*11*	6,155,380	5,756,796	5,526,966	5,486,382
Other intangible assets		—	2,866	2,389	2,186
Property and equipment	*12*	214,545	327,966	311,319	297,256
Construction in progress	*13*	6,364	4,594	4,742	58
Deposit paid for acquisition of property and equipment		789	182	455	2,045
Other receivables	*14*	465,196	460,000	450,000	451,657
Deferred tax assets	*15*	434,463	381,641	302,751	253,974
		7,276,737	6,934,045	6,598,622	6,493,558
Current assets					
Inventories		646	377	527	499
Trade and other receivables	*14*	12,219	4,294	651,450	697,091
Restricted bank deposits	*16*	—	—	12,972	13,016
Bank balances and cash	*16*	931,690	1,204,974	307,789	378,865
		944,555	1,209,645	972,738	1,089,471
Current liabilities					
Trade and other payables and accruals	*17*	1,542,396	1,594,579	1,090,957	1,045,666
Bank overdrafts	*18*	200,737	943	112	39,143
Deferred income	*19*	128,371	—	—	—
		1,871,504	1,595,522	1,091,069	1,084,809
Net current (liabilities) assets		(926,949)	(385,877)	(118,331)	4,662
Total assets less current liabilities		6,349,788	6,548,168	6,480,291	6,498,220
Non-current liabilities					
Other payables	*17*	215,797	268,321	—	—
		215,797	268,321	—	—
Net assets		6,133,991	6,279,847	6,480,291	6,498,220
Capital and reserves					
Registered capital	*20*	4,600,000	4,600,000	4,600,000	4,600,000
Capital reserve		4,100,000	4,100,000	4,100,000	4,100,000
Accumulated losses		(2,566,009)	(2,420,153)	(2,219,709)	(2,201,780)
Total equity		6,133,991	6,279,847	6,480,291	6,498,220

STATEMENTS OF CHANGES IN EQUITY

	Registered capital *RMB'000* *(Note 20)*	Capital reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2019	4,600,000	—	(3,146,392)	1,453,608
Profit and total comprehensive income for the year	—	—	580,383	580,383
Contributions from immediate holding company	—	4,100,000	—	4,100,000
At 31 December 2019	4,600,000	4,100,000	(2,566,009)	6,133,991
Profit and total comprehensive income for the year	—	—	145,856	145,856
At 31 December 2020	4,600,000	4,100,000	(2,420,153)	6,279,847
Profit and total comprehensive income for the year	—	—	200,444	200,444
At 31 December 2021	4,600,000	4,100,000	(2,219,709)	6,480,291
Profit and total comprehensive income for the period	—	—	17,929	17,929
At 30 April 2022	4,600,000	4,100,000	(2,201,780)	6,498,220
At 31 December 2020	4,600,000	4,100,000	(2,420,153)	6,279,847
Profit and total comprehensive income for the period	—	—	60,203	60,203
At 30 April 2021 (unaudited)	4,600,000	4,100,000	(2,359,950)	6,340,050

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before taxation	145,920	198,678	279,334	80,633	66,706
Adjustments:					
Depreciation of property and equipment	23,182	28,109	35,548	11,708	7,156
Loss (gain) on disposal of property and equipment	80	—	(103)	(2)	—
Amortisation of intangible assets	180,574	171,660	183,870	66,735	46,417
Bank interest income	(483)	(3,095)	(3,906)	(710)	(352)
Interest income from fellow subsidiaries	(16,691)	(20,613)	(20,569)	(6,879)	(6,630)
Finance costs	117,296	21,362	3,516	1,155	90
Investment gain on structured deposits	(1,532)	—	—	—	—
Amortisation of deferred income	(116,438)	(134,852)	—	—	—
Operating cash flows before movements in working capital	331,908	261,249	477,690	152,640	113,387
(Increase) decrease in inventories	(627)	269	(150)	47	28
(Increase) decrease in trade and other receivables	(2,467)	8,730	(147,037)	(40,876)	94,765
Decrease (increase) in trade and other payables	17,367	109,887	(15,479)	(15,803)	(24,102)
NET CASH FROM OPERATING ACTIVITIES	346,181	380,135	315,024	96,008	184,078
INVESTING ACTIVITIES					
(Advances to) repayment from a fellow subsidiary	(460,000)	—	10,000	—	—
Government grants (utilised) received	(240,286)	86,820	(764,958)	(268,638)	(151,487)
Payment for construction in progress	(55,518)	(2,354)	(18,807)	(2,398)	(1,579)
Purchase for intangible assets	—	—	(176)	(176)	—
Purchase for property and equipment	(1,644)	(143,309)	(413)	(179)	(18)
Interest received	11,978	28,904	24,475	5,793	5,325
Redemption on structured deposits	201,532	—	—	—	—
Increase in restricted bank deposits	—	—	(12,972)	(12,842)	(44)
Increase in amount due from immediate holding company	—	(805)	(500,119)	—	(140,406)
NET CASH USED IN INVESTING ACTIVITIES	(543,938)	(30,744)	(1,262,970)	(278,440)	(288,209)

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
FINANCING ACTIVITIES					
(Repayment to) advance from immediate holding company	(3,441,342)	111,446	24,505	4,160	145,781
Repayment of bank borrowings	(900,000)	—	—	—	—
Interest paid	(95,115)	(2,275)	(258)	(69)	(90)
Increase (decrease) in amounts due to related parties	4,861	14,516	27,345	6,028	(9,515)
Contribution from immediate holding company	4,100,000	—	—	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(331,596)	123,687	51,592	10,119	136,176
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(529,353)	473,078	(896,354)	(172,313)	32,045
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	1,260,306	730,953	1,204,031	1,204,031	307,677
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	730,953	1,204,031	307,677	1,031,718	339,722
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
— Bank balances and cash	931,690	1,204,974	307,789	1,073,969	378,865
— Bank overdrafts	(200,737)	(943)	(112)	(42,251)	(39,143)
	730,953	1,204,031	307,677	1,031,718	339,722

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF SHENZHEN GUANGSHEN COASTAL EXPRESSWAY INVESTMENT CO., LTD.

1. GENERAL INFORMATION

Shenzhen Guangzhou-Shenzhen Coastal Expressway Investment Co., Ltd. (the "**Coastal Company**") is a private company incorporated in the PRC on 1 December 2008. At the date of this report, its immediate holding company is Shenzhen Expressway Company Limited, a joint stock limited company in the PRC. The Coastal Company's registered office is Room 1303, Podium Level 4, Jiangsu Building, Yitian Road, Futian District, Shenzhen. The State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality ("**Shenzhen SASAC**") is the ultimate controlling party of the Company.

The principal activities of the Coastal Company are construction, operation and management of Shenzhen section of Guangzhou-Shenzhen Superhighway in the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Coastal Company.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with International Financial Reporting Standards ("**IFRSs**"). For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Coastal Company has consistently applied all amendments to IFRSs that are effective for the accounting period beginning on 1 January 2022 throughout the Relevant Periods.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimate[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.

The directors of the Coastal Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the financial information in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Coastal Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Revenue from contracts with customers

The Coastal Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Coastal Company's performance as the Coastal Company performs;
- the Coastal Company's performance creates or enhances an asset that the customer controls as the Coastal Company performs; or
- the Coastal Company's performance does not create an asset with an alternative use to the Coastal Company and the Coastal Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Toll revenue of the Coastal Company is from operating toll roads, and is recognised in accordance with the amount collected and receivable when a vehicle is passing through.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Coastal Company's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Coastal Company's performance in transferring control of goods or services.

Construction revenue of the Coastal Company, is determined by reference to the performance progress and recognised according to the proportion of the cost incurred to the estimated total cost.

Leases

Definition of a lease

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

The Coastal Company as lessor

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Borrowing costs

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

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

Government grants

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

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

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

Employee benefits

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the statements of profit or loss and other comprehensive income because it excludes income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Coastal Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Concession intangible assets

Concession intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Coastal Company to receive the toll fees from users.

When the Coastal Company has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The concession intangible assets of the toll road that the Coastal Company has delivered but not yet completed the final settlement account are temporarily estimated based on the book value of the toll road project. When the final account is completed, the book value will be adjusted to the actual value.

When toll roads are ready for their intended use, amortisation of the intangible assets is calculated based on the traffic volume amortisation method. Amortisation is provided on projected units-of-usage ("**unit usage**"), which is calculated based on the total projected traffic volume during the operating period of the concessions and the book value of the concession intangible assets combined with the actual traffic volume during each accounting period.

Subsequent expenditures incurred for the toll roads are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Coastal Company and the related cost can be reliably measured. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes. Property and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalised before the construction is ready for its intended use and other relevant expenses. The amount is carried at cost, less any recognised impairment loss. Construction in progress is transferred to property and equipment or intangible assets when the asset is ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Impairment on property and equipment and concession intangible asset

At the end of the reporting period, the Coastal Company reviews the carrying amounts of its property and equipment and concession intangible asset to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment (if any). The recoverable amount of property and equipment and concession intangible asset are estimated individually. When it is not possible to estimate the recoverable amount individually, the Coastal Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Coastal Company compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment is recognised immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

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

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

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

All other financial assets are subsequently measured at fair value.

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

Impairment of financial assets

The Coastal Company performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, restricted bank deposits and bank balances and cash) which are subject to impairment assessment. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

The Coastal Company always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

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

Significant increase in credit risk

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

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

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

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

Despite the aforegoing, the Coastal Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default (i.e. no default history), (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

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

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

The Coastal Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and bank overdrafts) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Coastal Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Coastal Company's accounting policies, which are described in note 4, the directors of the Coastal Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Amortisation of concession intangible assets

Amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the amortisation of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

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

The amortisation of concession intangible assets for three year ended 31 December 2021 and four month ended 30 April 2022 amounted to RMB180,574,000, RMB171,611,000, RMB183,217,000 and RMB46,214,000, respectively (4 months ended 30 April 2021: RMB66,486,000). The management considers that the amortisation is calculated by reference to the best estimates of the total expected traffic volumes of the underlying toll expressways and they should not be materially different from the actual traffic volumes in future.

Impairment assessment of concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Coastal Company to receive the toll fees from users.

In determining whether an asset is impaired, the Coastal Company has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the value in use including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Coastal Company estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or estimated future traffic volume in the cash flow projections, could materially affect the recoverable amounts.

The recoverable amounts of the concession intangible assets have been determined by the management of the Coastal Company by value in use calculation on the basis of the cash-generating unit to which these assets belong. The value in use calculation estimated future expectation for traffic network development and financial budget on future maintenance of toll road, where the key input parameters include maintenance plan and discount rates. The Coastal Company estimates the recoverable amount of the cash-generating unit as it is not possible to estimate the recoverable amount of each of the concession intangible assets individually. Where the expected future cash flows arising from the relevant cash generating units differ from the original estimation, an impairment loss may arise.

As at 31 December 2019, 2020, 2021 and 30 April 2022, the carrying amount of concession intangible assets were RMB6,155,380,000, RMB5,756,796,000, RMB5,526,966,000, RMB5,486,382,000, respectively, after taking into account the impairment losses of RMB2,638,235,000 recognised during the year ended 31 December 2017. There was no further impairment or reversal recognised since then.

6. REVENUE

	Year ended 31 December			Four months ended 30 April	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Toll revenue	532,571	459,330	591,111	182,511	137,437
Construction revenue	161,707	11,630	22,400	4,207	5,630
Total	694,278	470,960	613,511	186,718	143,067

Toll revenue of the Coastal Company is recognised in accordance with the amount received and receivable when a vehicle is passing through toll roads. Construction revenue of the Coastal Company is determined by reference to the performance progress and recognised according to the proportion of the cost incurred to the estimated total cost.

7. OTHER INCOME, OTHER GAINS OR LOSSES

(a) Other income

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income	951	301	614	—	322
Other income	586	2,874	307	28	1,127
Government grants	72	10,750	24	4	2
Bank interest income	483	3,095	3,906	710	352
Interest income from loan to a fellow subsidiary	16,691	20,613	20,569	6,879	6,630
Total	18,783	37,633	25,420	7,621	8,433

(b) Other gain and loss

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Investment gain on structured deposits	1,532	—	—	—	—
(Loss) gain on disposal of property and equipment	(80)	—	103	2	—
Others	(32)	—	—	—	—
Total	1,420	—	103	2	—

8. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest expense	88,384	2,275	258	69	90
Imputed interest arising from a significant financing component	16,877	6,481	—	—	—
Imputed interest arising from construction payables to immediate holding company	12,035	12,606	3,258	1,086	—
	117,296	21,362	3,516	1,155	90

9. PROFIT BEFORE TAX

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax has been arrived at after charging:					
Auditor's remuneration	90	80	80	—	—
Directors' remuneration	—	—	—	—	—
Other staff costs	29,345	29,141	29,220	8,173	9,080
Retirement benefits scheme contributions for other staff	5,213	2,864	5,586	1,898	2,094
Total staff costs	34,593	32,014	34,806	10,071	11,174
Depreciation of property and equipment	23,182	28,109	35,548	11,708	7,156
Amortisation of intangible assets	180,574	171,660	183,870	66,735	46,417

10. INCOME TAX (CREDIT) EXPENSE

The income tax (credit) expense represents deferred tax expense (credit) during the Relevant Periods.

No provision for EIT during the Relevant Periods as the Coastal Company has no assessable profit.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory EIT rate of the Coastal Company is 25%.

The taxation (credit) charge for the Relevant Periods can be reconciled to the profit before tax per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax:	145,920	198,678	279,334	80,633	66,706
Tax at the domestic income tax rate of 25%	36,480	49,669	69,834	20,158	16,677
Tax effect of expense not deductible for tax purposes	5,562	3,378	3,733	—	—
Tax effect of income not taxable for tax purposes	(24)	(3,967)	(25)	—	—
Tax effect of a written off on tax losses previously recognised	—	—	5,348	—	32,500
Recognition of deductible temporary differences previously not recognised	(339,938)	—	—	—	—
Recognition of tax losses previously not recognised	(142,850)	—	—	—	—
Tax effect of tax losses not recognised	6,307	3,742	—	—	—
Others	—	—	—	272	(400)
	(434,463)	52,822	78,890	20,430	48,777

11. CONCESSION INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 2019	9,424,016
Additions	161,721
At 31 December 2019	9,585,737
Additions	11,982
Adjustments on costs	(238,955)
At 31 December 2020	9,358,764
Additions	22,405
Adjustments on costs	(69,018)
At 31 December 2021	9,312,151
Additions	5,630
At 30 April 2022	9,317,781
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
At 1 January 2019	3,249,783
Provided for the year	180,574
At 31 December 2019	3,430,357
Provided for the year	171,611
At 31 December 2020	3,601,968
Provided for the year	183,217
At 31 December 2021	3,785,185
Provided for the period	46,214
At 30 April 2022	3,831,399
CARRYING VALUES	
At 31 December 2019	6,155,380
At 31 December 2020	5,756,796
At 31 December 2021	5,526,966
At 30 April 2022	5,486,382

During the Relevant Periods, the concession intangible assets are pledged to banks to secure the bank facilities granted by banks to its immediate holding company.

Concession intangible assets represent the rights to operate Guangshen Coastal Expressway granted by the relevant local government authorities in the PRC to the Coastal Company. The period of rights to operate the toll is up to year 2038. According to the relevant governments' approval documents and the relevant regulations, the Coastal Company is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. The Coastal Company is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating period. The toll fees collected and collectible during the operating period are attributable to the Coastal Company. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Coastal Company. According to the relevant regulations, the operating right is not renewable and the Coastal Company does not have any termination options.

The Coastal Company has set policies to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Coastal Company also appoints an independent professional traffic consultant to perform independent professional traffic studies when material differences between actual traffic volume and projected traffic volume exist, or every 3 to 5 years and then adjust the amortisation based on unit usage according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortised in the operating period.

Carrying amounts of concession intangible assets as at 31 December 2019, 2020 and 2021 and 30 April 2022 are net of impairment loss of RMB2,638,235,000 recognised during the year ended 31 December 2017.

12. PROPERTY AND EQUIPMENT

	Buildings *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Transportation equipment *RMB'000*	Total *RMB'000*
COST					
At 1 January 2019	142,213	5,678	2,217	140,420	290,528
Additions	—	692	162	3,155	4,009
Transfer from construction in progress	—	—	—	56,960	56,960
Disposals	—	(378)	—	—	(378)
At 31 December 2019	142,213	5,992	2,379	200,535	351,119
Additions	143,323	90	—	504	143,917
Transfer from construction in progress	—	—	—	4,124	4,124
Adjustments	—	—	—	(6,511)	(6,511)
At 31 December 2020	285,536	6,082	2,379	198,652	492,649
Additions	—	326	167	37	530
Transfer from construction in progress	2,531	—	—	15,854	18,385
Disposals	—	—	(277)	—	(277)
At 31 December 2021	288,067	6,408	2,269	214,543	511,287
Additions	—	18	—	—	18
Transfer from construction in progress	—	—	—	4,673	4,673
Adjustments	—	—	—	(11,598)	(11,598)
At 30 April 2022	288,067	6,426	2,269	207,618	504,380
ACCUMULATED DEPRECIATION					
At 1 January 2019	27,024	4,429	1,655	80,572	113,680
Provided for the year	5,439	442	374	16,927	23,182
Eliminated on disposals	—	(288)	—	—	(288)
At 31 December 2019	32,463	4,583	2,029	97,499	136,574
Provided for the year	5,371	333	115	22,290	28,109
At 31 December 2020	37,834	4,916	2,144	119,789	164,683
Provided for the year	12,758	218	37	22,535	35,548
Eliminated on disposals	—	—	(263)	—	(263)
At 31 December 2021	50,592	5,134	1,918	142,324	199,968
Provided for the period	4,258	116	19	2,763	7,156
At 30 April 2022	54,850	5,250	1,937	145,087	207,124
CARRYING VALUES					
At 31 December 2019	109,750	1,409	350	103,036	214,545
At 31 December 2020	247,702	1,166	235	78,863	327,966
At 31 December 2021	237,475	1,274	351	72,219	311,319
At 30 April 2022	233,217	1,176	332	62,531	297,256

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives and after taking into account of their estimated residual value, using straight-line method, at the following rates per annum:

Buildings	4%–6%
Furniture, fixtures and equipment	20%
Motor vehicles	10%–20%
Transportation equipment	17%–20%

13. CONSTRUCTION IN PROGRESS

	RMB'000
At 1 January 2019	13,577
Additions	49,747
Transfer to property and equipment	(56,960)
At 31 December 2019	6,364
Additions	2,354
Transfer to property and equipment	(4,124)
At 31 December 2020	4,594
Additions	18,533
Transfer to property and equipment	(18,385)
At 31 December 2021	4,742
Adjustment	(11)
Transfer to property and equipment	(4,673)
At 30 April 2022	58

14. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(note iii)*	12,145	3,206	150,445	55,525
Loan to a fellow subsidiary *(note i)*	465,196	460,000	450,000	451,657
Amount due from immediate holding company *(note ii)*	—	805	500,924	641,330
Amount due from a fellow subsidiary *(note ii)*	—	—	—	8
Others	74	283	81	228
	477,415	464,294	1,101,450	1,148,748
Analysed as:				
Non-current	465,196	460,000	450,000	451,657
Current	12,219	4,294	651,450	697,091
	477,415	464,294	1,101,450	1,148,748

Notes:

(i) The amounts are unsecured, carry interest of 4.75% per annum and will be settled in March 2024.

(ii) The amounts are unsecured, interest-free and repayable on demand.

(iii) During the Relevant Periods, entire balances of trade receivables are pledged to banks to secure bank facilities granted by banks to the immediate holding company of the Coastal Company.

As at 1 January 2019, the carrying amount of trade receivables amounted to RMB8,368,000.

The following is an aged analysis of trade receivables presented based on the revenue recognition date.

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	12,145	3,206	45,558	37,229
61–90 days	—	—	13,339	18,296
91–180 days	—	—	26,247	—
181–365 days	—	—	65,301	—
	12,145	3,206	150,445	55,525

As at 31 December 2019, 2020, 2021 and 30 April 2022, no trade receivable balance is past due. Included in the balances, RMB145,515,000 and RMB51,019,000 as at 31 December 2021 and 30 April 2022, respectively, are related to subsidies on toll fee from Government. The settlement term of the balances are within 60 days after the end of the fiscal year in which the balances are recognised.

15. DEFERRED TAXATION

The following is the major deferred tax assets/liabilities recognised and movements thereon during the each of reporting period:

	Deferred income	Impairment of concession intangible assets	Excess of tax amortisation over accounting amortisation	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	—	325,252	(325,252)	—	—	—
Credit (charge) to profit or loss	6,308	334,307	(49,219)	142,850	217	434,463
At 31 December 2019	6,308	659,559	(374,471)	142,850	217	434,463
(Charge) credit to profit or loss	(6,308)	—	(53,221)	6,825	(118)	(52,822)
At 31 December 2020	—	659,559	(427,692)	149,675	99	381,641
Charge to profit or loss	—	—	(46,633)	(32,257)	—	(78,890)
At 31 December 2021	—	659,559	(474,325)	117,418	99	302,751
Charge to profit or loss	—	—	(18,950)	(29,827)	—	(48,777)
At 30 April 2022	—	659,559	(493,275)	87,591	99	253,974

At the end of the reporting period, the Coastal Company has following unused tax losses available for offset against future profits.

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unused tax losses	1,311,913	948,849	587,602	598,290
Deferred tax assets have been recognised in respect of tax losses	571,400	598,700	469,672	350,361
No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams	740,513	350,149	117,930	247,929
	1,311,913	948,849	587,602	598,290

Included in unused tax losses are tax losses which will expire in the following years ending and other losses may be carried forward indefinitely.

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unused tax losses with expiry in:				
— 2020	405,334	—	—	—
— 2021	361,247	361,247	—	—
— 2022	304,694	304,694	304,694	304,694
— 2023	215,662	215,662	215,662	215,662
— 2024	24,976	24,976	24,976	24,976
— 2025	—	42,270	42,270	42,270
— 2026	—	—	—	10,688
	1,311,913	948,849	587,602	598,290

16. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprises cash and short-term bank deposits, with original maturity date less than three months and carry variable interest rates range from 0.3% to 1% per annum for three years ended 31 December 2019, 2020 and 2021, and 30 April 2022.

The restricted bank deposits carry fixed interest rates of 0.30% per annum as at 31 December 2021 and 30 April 2022.

17. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables to immediate holding company	215,797	268,321	271,366	271,249
Trade payables to third parties	488,626	345,296	275,385	274,933
	704,423	613,617	546,751	546,182
Amount due to immediate holding company *(note i)*	94,655	206,101	230,606	376,387
Amounts due to related parties *(note i)*	11,333	25,849	53,194	43,679
Subsidies received from government *(note ii)*	843,781	930,601	165,643	14,156
Deposits and retention payables	16,972	17,075	17,276	13,913
Accruals on maintenance expenses	72,942	57,063	61,522	42,605
Payroll payables	5,969	4,975	4,549	1,317
Other tax payables	2,488	1,806	5,868	2,417
Others	5,630	5,813	5,548	5,010
	1,758,193	1,862,900	1,090,957	1,045,666
Analysed as:				
Current	1,542,396	1,594,579	1,090,957	1,045,666
Non-current	215,797	268,321	—	—
	1,758,193	1,862,900	1,090,957	1,045,666

Notes:

(i) The amounts are unsecured, interest-free and repayable on demand.

(ii) The amount represents unutilised portion of government subsidies received from Shenzhen Finance Bureau for the purpose of construction of phase two of Shenzhen section of Guangshen Coastal Expressway.

The following is an aged analysis of trade payables presented based on the recognition dates:

	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	151,890	52,523	72,989	—
Over 1 year	552,533	561,094	473,762	546,182
	704,423	613,617	546,751	546,182

18. BANK OVERDRAFTS

The unsecured bank overdrafts carry interest rates of 1.3% per annum during the Relevant Periods.

19. DEFERRED INCOME

The amount represents the compensations provided by government relating to concession on toll fee from 2018 to 2020 and will be recognised in profit or loss over the period of concession.

20. REGISTERED CAPITAL

As at 1 January 2019, 31 December 2019, 2020, 2021 and 30 April 2022, the fully paid capital is the Coastal Company is RMB4,600,000,000.

Details of the subsequent changes in capital of the Coastal Company are set out in note 28.

21. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The table below details changes in Coastal Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Coastal Company's statements of cash flows as cash flows from (used in) financing activities.

	Amounts due to immediate holding company *RMB'000*	**Amounts due to related parties** *RMB'000*	**Interest payable** *RMB'000*	**Bank borrowings** *RMB'000*
At 1 January 2019	17,839	6,472	6,731	4,418,158
Financing cash flows	(3,441,342)	4,861	(95,115)	(900,000)
Finance costs	—	—	88,384	—
Loan assignment	3,518,158	—	—	(3,518,158)
At 31 December 2019	94,655	11,333	—	—
Financing cash flows	111,446	14,516	(2,275)	—
Finance costs	—	—	2,275	—
At 31 December 2020	206,101	25,849	—	—
Financing cash flows	24,505	27,345	(258)	—
Finance costs	—	—	258	—
At 31 December 2021	230,606	53,194	—	—
Financing cash flows	145,781	(9,515)	(90)	—
Finance costs	—	—	90	—
At 30 April 2022	376,387	43,679	—	—
At 1 January 2021	206,101	25,849	—	—
Financing cash flows	4,160	6,028	(69)	—
Finance costs	—	—	69	—
At 30 April 2021 (unaudited)	210,261	31,877	—	—

22. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the Historical Financial Information, the Coastal Company entered into the following transactions with its fellow subsidiaries during the Relevant Periods:

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fellow subsidiaries					
Maintenance expenses	120	14,402	33,154	8,435	7,326
Management fee expenses	2,436	2,032	2,777	890	619
Rental and services income	1,104	400	344	9	15
Interest income	16,691	20,613	20,569	3,332	6,630
Construction costs	24,924	11,629	22,401	4,207	5,630

23. CAPITAL RISK MANAGEMENT

The Coastal Company manages its capital to ensure that the entities comprising the Coastal Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Coastal Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Coastal Company consists of debt, which includes amount due to immediate holding company and amounts due to related parties as disclosed in Note 17, net of cash and cash equivalents consisting of bank balances and cash and bank overdrafts and equity attributable to owners of the Coastal Company, comprising capital and other reserves.

The directors of the Coastal Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risk associated with the capital, and will take appropriate actions to balance its overall capital structure.

24. FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost	1,409,105	1,669,060	1,422,162	1,540,499
Financial liabilities at amortised cost	1,025,235	859,104	846,628	1,014,135

Financial risk management objectives and policies

Financial instruments of the Coastal Company include trade and other receivables, trade and other payables, bank balances and cash and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Coastal Company's cash flow interest rate risk relates primarily to variable-rate bank balances while its fair value interest rate risk relates primarily to its fixed-rate bank overdrafts and restricted bank deposits. The Coastal Company currently does not have policy on cash flow hedges of interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The directors of the Coastal Company considered that interest rate risk of bank balances is insignificant.

Credit risk

The Coastal Company's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and bank balances as at 31 December 2019, 2020, 2021 and 30 April 2022. The carrying amounts of financial assets at amortised cost stated in Notes 14 and 16 represented the Coastal Company's maximum exposure to credit risk in relation to financial assets which will cause a financial loss to the Coastal Company due to failure to discharge an obligation by the counterparties.

Trade receivables

The Coastal Company has a significant concentration credit risk as all trade receivables are from two debtors as at 31 December 2019, 2020, 2021 and 30 April 2022. Two debtors are governmental organisations with good reputation and repayment records.

The management of the Coastal Company regularly follows up the subsequent settlement from the counterparties. In this regard, the management of the Coastal Company considers that this credit concentration risk has been significantly mitigated. In order to minimise the credit risk on trade receivables, the management of the Coastal Company has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Coastal Company reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Coastal Company applies simplified approach and always recognises lifetime ECL for trade receivables on an individual basis. Taking into account the financial condition of the customers and historical settlement pattern with no history of default in the past and the forward-looking information, the management of the Coastal Company considers the trade receivables are at lower risk under internal credit rating assessment and the probability of default of the counterparties was low. The ECL arising from the trade receivables was insignificant and no loss allowance provision was recognised as at 31 December 2019, 2020, 2021 and 30 April 2022. There were no credit-impaired trade receivables as at 31 December 2019, 2020, 2021 and 30 April 2022.

Other receivables

The directors review the recoverable amount at 31 December 2019, 2020, 2021 and 30 April 2022 to ensure that adequate impairment losses under ECL model are made for irrecoverable amounts. The Coastal Company has significant concentration of credit risk regarding loan to a fellow subsidiary.

Restricted bank deposits and bank balances

The credit risks on restricted bank deposits and bank balances are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Therefore, the credit rating is considered to be low credit risk and the impairment loss under ECL model is measured on 12m ECL basis. As at 31st December, 2020 and 2021, the Coastal Company assessed the ECL for restricted bank deposits and bank balances were insignificant and thus no impairment loss under ECL model was recognised.

Other than above concentration of credit risk and credit risk on liquid funds which are deposited with several banks with high credit ratings, the Coastal Company has no significant concentration of credit risk.

Liquidity risk

In managing the liquidity risk, the Coastal Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Coastal Company's operations and mitigate the effects of unexpected fluctuations in cash flows with reference to the available banking facilities and financial support.

The following table details the remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Coastal Company can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average interest rate	On demand or within 90 days	91–365 days	1–2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019						
Trade and other payables	N/A	502,713	—	215,797	718,510	718,510
Amount due to immediate holding company	N/A	94,655	—	—	94,655	94,655
Amounts due to related parties	N/A	11,333	—	—	11,333	11,333
Bank overdrafts	1.3%	200,737	—	—	200,737	200,737
		809,438	—	215,797	1,025,235	1,025,235
31 December 2020						
Trade and other payables	N/A	357,890	268,321	—	626,211	626,211
Amount due to immediate holding company	N/A	206,101	—	—	206,101	206,101
Amounts due to related parties	N/A	25,849	—	—	25,849	25,849
Bank overdrafts	1.3%	943	—	—	943	943
		590,783	268,321	—	859,104	859,104

	Weighted average interest rate	On demand or within 90 days	91–365 days	1–2 years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
Trade and other payables	N/A	562,716	—	—	562,716	562,716
Amount due to immediate holding company	N/A	230,606	—	—	230,606	230,606
Amounts due to related parties	N/A	53,194	—	—	53,194	53,194
Bank overdrafts	1.3%	112	—	—	112	112
		846,628	—	—	846,628	846,628
30 April 2022						
Trade and other payables	N/A	554,926	—	—	554,926	554,926
Amount due to immediate holding company	N/A	376,387	—	—	376,387	376,387
Amounts due to related parties	N/A	43,679	—	—	43,679	43,679
Bank overdrafts	1.3%	39,143	—	—	39,143	39,143
		1,014,135	—	—	1,014,135	1,014,135

Fair value of financial instruments

The fair values of financial asset and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Coastal Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information of the Coastal Company approximate their fair values.

25. CAPITAL COMMITMENTS

At the end of each reporting period, the Coastal Company had the following capital commitments contracted for but not provided in the financial statements in respect of:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction of expressway	970,230	954,160	931,555	919,308

26. OPERATING LEASING ARRANGEMENT

The Coastal Company as lessor

All of the leased premises have committed lessees for the next one to four years.

Undiscounted lease payments receivable on leases are as follows:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	193	193	193
In the second year	—	193	193	193
In the third year	—	193	193	—
In the fourth year	—	193	—	—

27. DIVIDENDS

No dividends was declared or paid by the Coastal Company in respect of the Relevant Periods.

28. SUBSEQUENT EVENTS

In May 2022, the directors of Coastal Company approved to increase the registered capital from RMB4,600,000,000 to RMB6,600,000,000 by transferring RMB2,000,000,000 from capital reserve.

In May 2022, the directors of Coastal Company has proposed to decrease the registered capital from RMB6,600,000,000 to RMB2,800,000,000 by divestment of its immediate holding company. Decrease of registered capital is approved by relevant governmental authority in September 2022 and the proceeds are expected to be repaid within one year.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Coastal Company have been prepared in respect of any period subsequent to 30 April 2022.