



# Sichuan Expressway Company Limited

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00107)



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# DEFINITIONS

In this section, the definitions are presented in alphabetic order (A-Z).

## I. Name of Expressway Projects

Airport Expressway	Chengdu Airport Expressway
Chengbei Exit Expressway	Chengdu Chengbei Exit Expressway
Chengle Expressway	Sichuan Chengle (Chengdu-Leshan) Expressway
Chengren Expressway	Chengdu-Meishan (Renshou) Section of ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway
Chengya Expressway	Sichuan Chengya (Chengdu-Ya'an) Expressway
Chengyu Expressway	Chengyu (Chengdu-Chongqing) Expressway (Sichuan Section)
Suiguang Expressway	Sichuan Suiguang (Suining-Guang'an) Expressway
Suixi Expressway	Sichuan Suixi (Suining-Xichong) Expressway

## II. Branches, Subsidiaries and Principal Invested Companies

Airport Expressway Company	Chengdu Airport Expressway Company Limited
Chengbei Company	Chengdu Chengbei Exit Expressway Company Limited
Chengle Company	Sichuan Chengle Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengya Oil Company	Sichuan Chengya Expressway Oil Supply Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited
Chengyu Branch	Sichuan Expressway Company Limited Chengyu Branch
Chengyu Development Fund	Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership)
Renshou Landmark Company	Renshou Trading Landmark Company Limited
Renshou Shunan Company	Renshou Shunan Investment Management Company Limited
Shugong Testing Company	Sichuan Shugong Road Construction Engineering Testing Company Limited
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited

## DEFINITIONS (CONTINUED)

Shunan Company	Sichuan Shunan Investment Management Company Limited
Shurui Company	Sichuan Shurui Construction Engineering Co. Ltd.
Shusha Company	Sichuan Shusha Industrial Company Limited
Suiguang Suixi Company	Sichuan Suiguang Suixi Expressway Company Limited
Trading Construction Company	Sichuan Trading Construction Engineering Co., Ltd. (formerly known as "Sichuan Shugong Expressway Engineering Company Limited")
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited
Zhongxin Company	Sichuan Zhongxin Assets Management Co., Ltd.

### III. Others

2014 AGM	the 2014 annual general meeting of the Company to be held on 29 May 2015 (Friday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 13 April 2015 (Monday)
A Share(s)	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Articles of Association	the articles of association of the Company, as amended from time to time
associate(s)	has the meaning ascribed thereto under the Listing Rules of the Stock Exchange
associated corporation(s)	has the meaning ascribed thereto under the SFO
Audit Committee	the audit committee under the Board
Baen Project	the construction and engineering project of Enyang Avenue and Enyang section of Baen fast channel
Board	the board of Directors of the Company
BT Project	build-transfer project
Chengren Expressway BOT Project	the project of Chengren Expressway in the form of BOT (build – operation – transfer)
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission
Development Investment Company	Sichuan Development Equity Investment Fund Management Co., Ltd.

## DEFINITIONS (CONTINUED)

Director(s)	director(s) of the Company
Dividend Entitlement Date	9 June 2015 (Tuesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2014 final dividend of the Company (if approved by the Shareholders at the 2014 AGM)
Group	the Company and its subsidiaries
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of Stock Exchange
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Huajian Company	China Merchants Huajian Highway Investment Co., Ltd. (formally known as Huajian Transportation Economic Development Centre), a substantial shareholder of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by the Directors and the Supervisors of the Company
Nomination Committee	the nomination committee under the Board
PRC or China	The People's Republic of China, for the purpose of this annual report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
Remuneration and Appraisal Committee	the remuneration and appraisal committee under the Board
Renshou Land-linked Pilot Project	the land-linked pilot project in Renshou County, Meishan City in the form of BT (build-transfer)
RMB	Renmenbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	A Share(s) and/or H Share(s) (as the case may be)
Shareholder(s)	holder(s) of Shares

## DEFINITIONS (CONTINUED)

Shuangliu West Airport Phase VI BT Project	the road project within the Airport High-tech Industrial Functional Zone, Shuangliu County, Chengdu City, in the form of BT (build-transfer), which is referred to as the “West Airport Development Zone Phase VI Road Engineering BT Project” by the Transportation Bureau of Shuangliu County, Chengdu City, the tenderee of this project
Shuangliu Zongbao BT Project	the Phase I road project within Zongbao ancillary area at Shuangliu County, Chengdu City in the form of BT (build-transfer)
Sichuan Ganghang	Sichuan Ganghang Development Company Limited, a subsidiary of STI
Sichuan Highway Development	Sichuan Highway Development Holding Company, a subsidiary of STI
SSE	Shanghai Stock Exchange
STI	Sichuan Transportation Investment Group Corporation, the controlling shareholder of the Company
STI Group	STI and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategic Committee	the strategic committee under the Board
Suiguang Suixi Expressways BOT Project	the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build-operate-transfer)
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	supervisory committee of the Company
Trading Industry	Sichuan Trading Industry Company Limited
Trading Landmark	Sichuan Trading Landmark Company Limited
Year or Reporting Period	the 12 months ended 31 December 2014

In this annual report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purposes only. In the event of any inconsistency between the Chinese and English names, the Chinese names shall prevail.

# CORPORATE INFORMATION

<b>Statutory Chinese and English Names of the Company</b>	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
<b>Legal Representative</b>	Zhou Liming
<b>Company Website</b>	<a href="http://www.cygs.com">http://www.cygs.com</a>
<b>Company's Registered Address &amp; Office Address</b>	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
<b>Postal Code</b>	610041
<b>Secretary to the Board</b>	Zhang Yongnian
<b>Tel</b>	(86)28-8552-7510
<b>Representative of Securities Affairs</b>	Zhang Hua
<b>Tel</b>	(86)28-8552-7510
<b>Fax</b>	(86)28-8553-0753
<b>Investors' Hotline</b>	(86)28-8552-7510/(86)28-8552-7526
<b>E-mail</b>	cygszh@163.com
<b>Contact Address</b>	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
<b>Stock Exchanges of the Listing Shares</b>	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express
<b>Newspapers Selected by the Company for Information Disclosure</b>	China Securities Journal, Shanghai Securities News
<b>Websites Designated for Publication the Annual Report of the Company</b>	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> <a href="http://www.cygs.com">http://www.cygs.com</a>
<b>Place for Inspection of the Annual Report of the Company</b>	PRC: 252 Wuhouci Da Jie, Chengdu Sichuan Province, the PRC Hong Kong: 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong

## CORPORATE INFORMATION (CONTINUED)

<b>International Auditor</b>	Ernst & Young Certified Public Accountants 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
<b>PRC Auditor</b>	Shinewing Certified Public Accountants (Special General Partnership) 9th Floor, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing City, the PRC
<b>Hong Kong Legal Adviser</b>	Messrs. Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
<b>PRC Legal Adviser</b>	Beijing Zhongxin (Chengdu) Lawyer (北京市中銀(成都)律師事務所) Room 3104, 31/F, Building 3, Triumph Plaza, No. 118 Jitai Fifth Road, High-tech District, Chengdu City, Sichuan Province, the PRC
<b>Domestic Shares Registrar and Transfer Office</b>	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, No.166 Lujiazui East Road, Pudong, Shanghai, the PRC
<b>Hong Kong Shares Registrar and Transfer Office</b>	Hong Kong Registrars Limited 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
<b>Principal Place of Business in Hong Kong</b>	Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
<b>Initial Registration Date and Place</b>	19 August 1997 Chengdu, Sichuan Province, the PRC
<b>Latest Date of Registration Update</b>	19 December 2012
<b>Registration Number of Business Licence</b>	510000400003856
<b>Tax Registration Number</b>	51010720189926X
<b>Organization Code</b>	20189926
<b>Principal Banker</b>	China Construction Bank

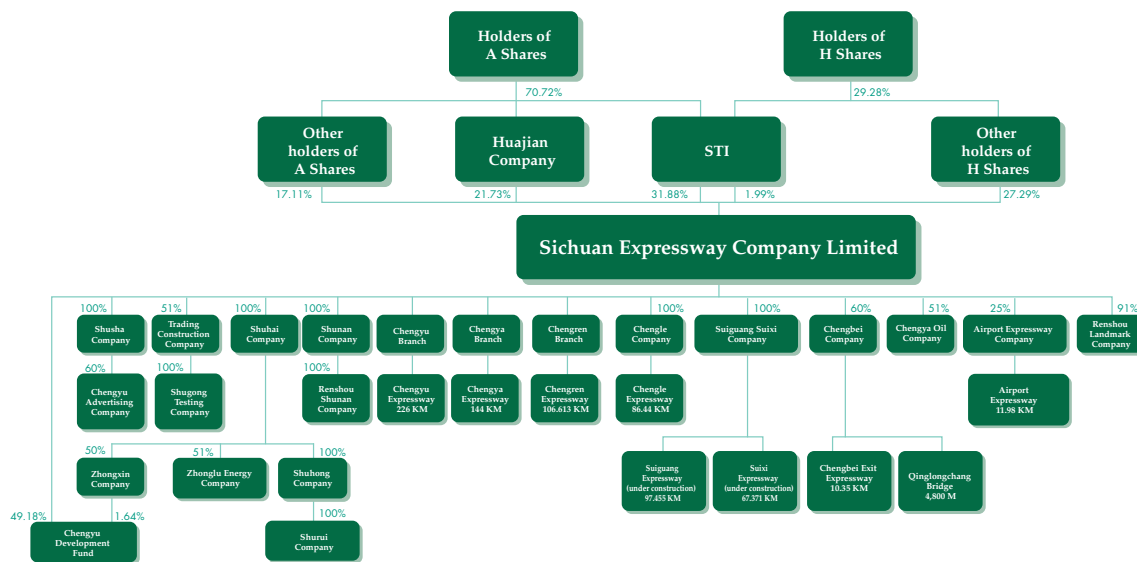


# COMPANY PROFILE

The Company was incorporated in the Industry and Commerce Bureau of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009, respectively.

The Group is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads. Currently, the Group mainly owns all or substantially all interests in a number of toll roads in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway as well as Suiguang Expressway and Suixi Expressway which are under construction. As at 31 December 2014, the length of completed expressways of the Group has reached approximately 573 km in total and the length of the expressways under construction amounted to approximately 165 km. The Group's total asset and net asset were approximately RMB28,803,105,000 and RMB12,367,402,000, respectively.

As at 31 December 2014, the total number of Shares of the Company was 3,058,060,000 Shares (comprising 895,320,000 H Shares and 2,162,740,000 A Shares). The shareholdings and asset structure of the Company were as follows:



# COMPANY PROFILE (CONTINUED)



# CHAIRMAN'S STATEMENT

## Zhou Liming

Chairman

On behalf of the Board, I would like to report to the Shareholders that, in 2014, due to the superimposed effects of the “three stages”<sup>1</sup>, the economy was suffered from greater downside pressure. The Chinese economy was entering the new normal of medium-to-high speed development from a rapid development. Against this backdrop, the Group strictly adhered to the general working pace of “seeking progress and achievement in stable development” to implement its strategy and strive to develop the five major segments. With dedication by all staff of the Company, through streamlined management, the Group spared no effort in reducing the impact of various adverse factors, including the slowdown in macroeconomic growth, diversion of traffic flow, and continuous tightening of the policies in toll road industry, etc., to ensure the steady development of all businesses of the Group.

## Results and Dividends

In 2014, the profit of the Group attributable to the owners of the Company was approximately RMB975,999,000, representing a decrease of 3.86% as compared with last year. Basic earnings per share were approximately RMB0.319 (2013: approximately RMB0.332). Pursuant to the Articles of Association, if the Company distributes cash dividend, the Company shall distribute cash dividend in an amount not less than 30% of the distributable profit earned by the Company for the period concerned (the lower of the profit attributable to shareholders under the PRC and overseas accounting standards respectively). In appreciation of the support of the Shareholders to the Group over years, the Board has recommended a final cash dividend for the year 2014 of RMB0.08 per share (tax inclusive), aggregating to approximately RMB244,645,000, representing 44.35% of the distributable profit of the Company determined under PRC GAAP for the Year and 25.24% of the profit attributable to owners of the Company as shown in the consolidated financial statements (prepared under PRC GAAP). Such proposed dividend is subject to approval by the Shareholders at the forthcoming 2014 AGM of the Company.

<sup>1</sup> Three stages: the shift stage of economic growth speed, the pain stage of structure adjustment, and the digestion stage of preliminary stimulus.

## CHAIRMAN'S STATEMENT (CONTINUED)

### Review

2014 was the first year for the central government to carry out comprehensive and deep reform, as well as a year for continuous development of the Chinese economy under the new normal.

In this Year, the Chinese economy overcame difficulties and struggled to move forward. Under the new operating situation of the Chinese economy, the central government innovated new ideas and ways of macro-control, with the strategy shifted from no "broad irrigation" to persistent implementation of directional regulation, from abandoning inefficient model of economic growth to pursuit of intensive development. The central government addressed and overcame difficulties in an adverse environment taking into account the whole situation in order to achieve progress in stable development. Through deep reform, the economy achieved continuous and stable development. In 2014, China's gross domestic product (GDP) amounted to approximately RMB63,646.3 billion, up 7.4%<sup>2</sup> from last year based on comparable prices. Despite a slowdown in growth, the actual increase in value of the economy was still considerable. Under the new normal, the national economy continues to operate steadily, and the Chinese economy is stepping on a new road to reform and upgrade, quality and efficiency enhancement.

In this Year, the industry accelerated the progress on reform and made stable and considerable development. The Ministry of Transport promulgated "Four Transportation (四個交通)", "Five Reforms (五項改革)", and "Eight Missions (八項任務)", which suggested the significant development momentum of the industry. In addition, the Ministry deployed nine pilot reform missions, cancelled twenty-six administrative examinations and approvals and transferred them to lower levels. The establishment of management power and authority system, the promotion of comprehensive transportation system reform, and the orderly implementation of new industry reforms formed a powerful impetus for the industry development. The features of the transportation industry of 2014 included promotion of top level design, proactive exploration of the lower level, positive interaction between upper and lower levels, as well as the major advance of the industry.

In this Year, the development in Sichuan was stable and solid with material progress in adverse circumstance. As a major economic province in Western China, Sichuan was still facing pressure including slowdown in growth, shift in momentum and others. Therefore, Sichuan Province strictly adhered to the general keynote of seeking progress in steady development, and implemented all plans deployed by the central government in due diligence. Through proactive implementation of a series of policies and measures of "stabilizing growth and promoting development", Sichuan Province focused on promoting several major infrastructure projects. Accordingly, the post-disaster restoration and reconstruction went well with powerful advancement of urbanization and gratifying changes in the economic structure. The comprehensively deepening reform achieved a good start. As examined by the National Bureau of Statistics, GDP of Sichuan Province amounted to approximately RMB2,853.67 billion in 2014, up 8.5%<sup>3</sup> from last year based on comparable prices. The overall economy of the whole province operated steadily and made progress in stable development.

<sup>2</sup> Source: preliminary accounting results published by the National Bureau of Statistics.

<sup>3</sup> Source: preliminary accounting results published by the Sichuan Provincial Bureau of Statistics.

## CHAIRMAN'S STATEMENT (CONTINUED)

In this Year, the government gathered strength to achieve significant progress on the traffic in Sichuan for its long-term development. Sichuan Province spared no efforts in enhancing the leading functions of transportation planning. Upon completion of the preparation of a series of significantly special planning, including the integrated three-dimensional transportation corridor planning in Sichuan Yangtze River Economic Zone, the highway-waterway transportation planning of the Silk Road Economic Zone, the integrated transportation planning of Tianfu New District and others, the development and planning system of the transportation in the whole province improved continually. In accordance with the Planning of Sichuan Province Expressway Network (2014–2030) (《四川省高速公路網規劃(2014–2030年)》), the expressway mileage in the whole province will be 12,000 kilometers, which will firmly support the future development of the regional economy and society. Meanwhile, the expressway construction and management in the whole province also made new breakthroughs: As at the end of 2014, the total mileage of expressways completed and constructed in progress exceeded 7,200 kilometers; the total length of expressways open to traffic surpassed 5,500 kilometers, ranking the top five in the country and the first in Western China. Accordingly, a framework expressway network has been basically formed in the province<sup>4</sup>; the expressway electronic toll collection system (ETC) commenced operation, indicating the rapid development of smart transportation construction. As at 31 December 2014, 488 ETC special lanes were opened in the whole province, the number of users of ETC exceeded 170,000 people and the traffic flow of ETC exceeded 4 million vehicles<sup>5</sup>. Moreover, the province issued the Management Measures on Expressway BOT Projects in Sichuan Province (《四川省高速公路BOT項目管理辦法》) to further optimize the expressway construction and management model. In this year, 34 expressway BOT projects in the whole province successfully attracted investors with a total length of 3,399 kilometers and investment amount of RMB295.2 billion, ranking the first in the country<sup>6</sup> in terms of investment amount.

It is also a year for implementation of diversified development strategies by the Group and a harvesting year after working on the quality and efficiency of “five major segments”.

The Group adhered to the guidance of the existing strategic principles and carried out all works centering on the annual operational target. Through innovative management and strengthened measures, the Group made considerable progress in operating management, engineering construction, business expansion, capital operation and corporate governance, etc.

<sup>4</sup> Source: Department of Transportation of Sichuan Province.

<sup>5</sup> Source: Department of Transportation of Sichuan Province.

<sup>6</sup> Source: Department of Transportation of Sichuan Province.





## CHAIRMAN'S STATEMENT (CONTINUED)

In aspect of operating management, the Group enhanced and optimized the Operation and management of the existing assets, and recorded steady growth in operating results. In this Year, the Group's total assets and net assets reached approximately RMB28,803 million and RMB12,367 million respectively, while the Group recorded a net revenue of approximately RMB9,420 million, and profit attributable to owners of the Company of approximately RMB976 million respectively. In particular, net toll income amounted to approximately RMB2,671 million, up 5.71% year-on-year, while other net income (including income from construction and sales of energy) amounted to approximately RMB6,749 million, up 11.68% year-on-year.

In aspect of engineering construction, the Group put great emphasis on duration of project construction works and quality of works, which means the project was completely under control. In addition, the Group created an exemplary project with high quality: "Decorative concrete formwork plug bodies of water (飾面清水混凝土模板堵頭機構)" of Suiguang-Suixi Expressways BOT Project obtained the national new utility patent certificate. The Group precisely managed projects under construction: Shuangliu BT, Renshou Avenue, Renshou Shigao and others promoted steadily, the engineering quality, safety, cost and progress of which were all under control.

In aspect of business expansion, the Group explored multi-business operation in an active manner and strived to develop new profit growth points. Accordingly, the Group increased quality projects reserve and traced the progress of target projects closely. The Group won the bidding for Renshou Avenue, Renshou Shigao and other construction works and successfully won the bidding for the land use right of approximately 190,000 square meters state-owned construction land in Renshou County to steadily promote the Renshou Property Development Project. Furthermore, the Group innovated the operational models of service area and advertising media, newly added operational projects of special local product sales and constructed LED and LCD new media release platforms. Through expansion of the sales business of fuel oil and others, we strengthened the sales of refined oil.



## CHAIRMAN'S STATEMENT (CONTINUED)

In aspect of capital operation, the Group innovated investment and financing measures to obtain new achievements in investment and financing businesses. Through successful issuance of the first tranche of medium term notes of RMB300 million in 2014, optimization of tenor design of CNH loans, and preparations of issuance of corporate bonds, etc., the Group broadened the low-cost financing channels. By means of participating in the establishment of Zhongxin Company through the platform of its subsidiary, the Group reinforced asset management and project investment functions. In addition, the Group participated in establishing Chengyu Development Foundation to launch equity investment and relevant consultancy businesses.

In aspect of corporate governance, the Group enhanced the establishment of the internal control system to continuously upgrade the standards of corporate governance. By means of intensifying the publicity, implementation and training of the Internal Control Manual, the Group promoted the standardized implementation of internal control. Through optimization of the corporate governance system, the Group carried out management in accordance with laws and regulations. In order to deepen the internal supervision and management, the Group revised and optimized the Management Measures of Bidding and Tendering (《招投標管理辦法》), the Fund Supervision and Management Measures (《資金監督管理辦法》) and the Target Management Measures of Operation Management Units (《營運管理單位目標管理辦法》). With the aim of optimizing the human resources management system, the Group stipulated Interim Measures on Managing Middle Management Staff (《中級管理人員管理試行辦法》) and Interim Measures on Employee Recruitment, Deployment and Management (《員工招聘與調配管理試行辦法》). In addition, we also set up Inspection and Supervision Department to reinforce the toll collection and inspection work relating to expressways. In order to consummate the corporate governance system, the Group revised the Articles of Association to further clarify the priority and order of profit distribution methods.

### Prospects and Strategy

Reviewing the past, the trials and endeavors are still fresh in our memory. Looking forward, we set sail to chase our dreams accompanying with challenges and opportunities.

From the aspect of macro-economic environment, China's economy has been growing at a moderate but relatively high pace after maintaining rapid growth for over three decades while the economic development entered the new normal stage. The economy of China tended to evolve toward a more advanced and sophisticated form with more reasonable structure. On the other hand, a series of national development strategies were steadily carried forward, including the "One Belt, One Road", Yangtze River Economic Zone, Pilot Free-Trade Zones and Western Development. These policies together will ensure to at least achieve the minimum goal of economic development, release internal potential, elevate the constraints, and therefore vigorously boost the growth potential of economy. The fundamentals of domestic economic growth are expected to be in a good momentum, which will present a broad space for the Group to develop. However, in the meantime, the downward pressure on the economy in the short term cannot be neglected as it objectively restrains the transportation demand and increases the uncertainties in the traffic flow of toll road projects and the growth in toll income, which no doubt poses operation pressure to the Group.

## CHAIRMAN'S STATEMENT (CONTINUED)

For the regional economic development, facing the increasingly complicated and tougher macro economy both at home and abroad in recent years, Sichuan Province deepened the strategies of "Multi-points and Multi-poles" Development (多點多極支撐發展), "Liang Hua" Interaction ("兩化"互動)<sup>7</sup>, balanced urban and rural development and innovation-driven development, thanks to which, the economy maintained a sustainable and sound development throughout the province. With the duly implementation of the strategic plans of the Silk Road Economic Belt and the Yangtze River Economic Belt, Sichuan Province, as an essential front and a major supporter where these two major strategies develop synergistically, will leverage its geographic advantages to proactively integrate itself into the national strategy and further strengthen and vitalize the regional economic development, which will help to stabilize the total traffic volume and maintain the sustainable development of the transportation industry in the region. In the future, the promotion of the two major economic strategies, the construction of the Tianfu New District with national standards and the implementation of the Plan of Integrated Traffic Corridor for Yangtze River Economic Belt in Sichuan Province (四川省長江經濟帶綜合立體交通走廊規劃方案) certainly will bring about a new boom of transportation infrastructure construction and offer more room for the Group to develop the infrastructure investment and construction business.

As for the development prospect of the industry, first and foremost, as transportation is a fundamental, leading and service industry that supports the national economic development, it is unlikely for the state to pull back its political efforts on transportation construction. The gradually improved transportation infrastructure and increasingly diversified traffic means and transportation options provide various choices for public travel and cargo transportation. In the meantime, they also pose numerous competitions and challenges to the expressway sector to a large extent. Secondly, given that the downward pressure on macro economy is intensifying, risk factors that restrict the development of expressways are emerging. Rigid constraints such as capital, resources, environment, land and labor are obviously tightened while costs incurred from highway construction, management and operation keep rising, causing difficulties to the development of highway companies. Thirdly, with the preliminary established expressway network and the profound changes in social life in China, the policy environment of expressway sector has undergone significant changes. The successive implementation of various free-pay policies and preferential policies, from green channel to toll waiver for sedans during public holidays, from toll waiver at all the secondary highways to providing more favorable rates on the collection of fees for trucks of particular types, further affect the operation performance of the expressways of the Group. However, it should be noted that the core component of industry development in the future is shifting to the construction of an integrated, green and intelligent transportation system. The Opinions on All-round and In-depth Reform of Traffic and Transportation (《關於全面深化交通運輸改革的意見》) was promulgated while the new Regulations on Administration of Toll Roads (《收費公路管理條例》) is in the process of public consultation and will be published soon. In this context, the standardized management of the industry will be enhanced through deepening industry reform and continuously improving and upgrading the industry policy, which will facilitate the sound development of expressway industry in the long run.

We will take actions after adequate consideration based on logical thinking. We believe that achievements come from strong will while diligence is the key for business expansion.

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<sup>7</sup> Liang Hua: means new industrialization and new urbanization.



## CHAIRMAN'S STATEMENT (CONTINUED)

In 2015, the Group will energetically promote the implementation of strategic plans through reform and innovation and streamline management. In addition to consolidating and developing the principal business, it will also proactively explore and develop the sectors and businesses which are closely related to the expressway sector and the core business of the Company. Firstly, the Group will continue to consolidate the fundamental function of toll roads and bridges sector in the development and transformation of the Group and utilize the stable and abundant cash flow generated there from to finance relevant diversified development of the Group. Secondly, the Group will, relying on its expressways, strengthen its cooperation with the local governments along the expressways, bring into play its advantages in finance, location, brand and construction, and actively participate in city operation businesses such as urbanization and construction of municipal infrastructure, land consolidation and rehabilitation, construction of security housing, characteristic construction of cities and towns, etc., to build up the brand of city operation. Thirdly, the Group will give full play to its advantage in the Grade A construction quality of Trading Construction Company, actively expand to the upstream of the industrial chain of transport construction, gradually expand its business to the fields of intelligent transportation, construction materials, large maintenance equipment and core technologies, and enhance the technological content and core competitiveness of road construction and maintenance, creating a first-class construction enterprise for expressway construction and maintenance and urban infrastructure construction. Fourthly, the Group will expand cooperation with relevant enterprises in the field of new energy, accelerate the upgrading of cultural media advertising, change the business model, innovate marketing means and improve profitability in the future. At the same time, the Group will vigorously explore various financing and investment channels, deepen cooperation with professional investment management organization, exert the function of equity investment and adopt the developmental mode of "driving finance with industry, promoting industry with finance", to combine industrial capital and financial capital at different levels interactively through various approaches and further expand the financial investment business.

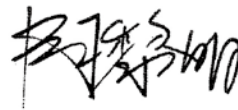
On the long way of business development, we can feel the great responsibility on our shoulders. As the development of the Group has stepped into a new stage, we will, adhering to the guidance of development strategy, carried out work assiduously and steadily with more intelligence and courage as well as tougher determination and will, striving to become a large infrastructure group company with prominent core competitiveness, balanced industrial layout and standardized modern corporate system.



## CHAIRMAN'S STATEMENT (*CONTINUED*)

### Acknowledgments

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all the investors, customers, business partners from all walks of life and the general public who has been supporting and believing the Company, and sincere gratitude to all Directors, Supervisors, senior management and all the employees for your contribution of wisdom and hard works for the last year.



**Zhou Liming**  
*Chairman*

Chengdu, Sichuan, the PRC  
26 March 2015

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. BUSINESS REVIEW AND ANALYSIS

### (I) Results overview

The Group is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC, and implements diversified operation which is highly related to our main business. The business covers five major segments, namely the "toll roads and bridges", "city operation", "construction", "energy and cultural media" and "financial investment". During the Reporting Period, due to the impact of increase in cost of road maintenance and finance cost of the Group, governance of over-limit and overload and toll-by-weight preferential policy for freight trucks and other factors, the overall profit of the Group declined to certain extent. The Group's overall toll income remained a steady growth benefiting from the natural growth of traffic flow brought about by the economic development in the regions along expressways under the Group, the gradual elimination of the adverse impact of "4.20 Lushan Earthquake", the effective measures taken by the Company to increase revenue and reduce expenditure, and other comprehensive factors, which consolidated the foundational status of the segment of toll roads and bridges in the diversified development strategy of enterprise. Meanwhile, the Group stably progressed a diversified and strategic layout, and accelerated the cultivation of new business growth drivers, resulting in a steady growth in the Group's total operation income, and strengthened the Group's overall anti-risk capability.

In this Year, the net revenue of the Group amounted to approximately RMB9,420,153,000, representing an increase of approximately 9.92% year-on-year, among which the net toll income amounted to approximately RMB2,671,233,000, up approximately 5.71% year-on-year; the net revenue from construction contracts amounted to approximately RMB4,396,081,000, up approximately 16.87% year-on-year (including the construction

### **Gan Yongyi**

*Vice Chairman and General Manager*



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

contracts revenue of approximately RMB2,881,848,000 from Suiguang-Suixi Expressways BOT Project, which was recognized according to the HKFRSs, down 4.65% year-on-year); the net revenue from operation of gas stations along the expressways amounted to approximately RMB2,302,019,000, representing an increase of 2.43% year-on-year; Revenue from other income and gains amounted to approximately RMB124,059,000, down 20.05% year-on-year. The profit attributable to the owners of the Company was approximately RMB975,999,000, representing a decrease of 3.86% year-on-year. Basic earnings per Share were approximately RMB0.319 (2013: approximately RMB0.332). As at 31 December 2014, the Group's total assets amounted to approximately RMB28,803,105,000 and net assets amounted to approximately RMB12,367,402,000.

During the Reporting Period, the income and profit of the Company and its major subsidiaries are as follows:

	Income for 2014 (after revenue taxes) (RMB'000)	Year-on-year increase/ decrease in income for 2014 (%)	Profit/(loss) for 2014 (RMB'000)	Year-on-year increase/ (decrease) in profit/(loss) for 2014 (%)
The Company (note 1)	N/A	N/A	3,204	N/A
Chengyu Branch (note 2)	807,126	N/A	298,838	N/A
Chengya Branch	761,678	15.71	367,068	26.92
Chengren Branch (note 3)	565,867	25.76	10,184	(113.72)
Chengle Company	448,310	12.02	228,808	17.30
Chengbei Company	88,562	6.45	34,776	6.41
Trading Construction Company (note 4)	3,073,724	46.93	133,874	38.65
Shugong Testing Company	30,900	24.67	1,914	102.04
Shunan Company (note 5)	70,359	(73.37)	(9,778)	(130.47)
Renshou Shunan Company	65,372	N/A	10,250	N/A
Shuhong Company	84,320	103.11	18,854	(7.30)
Shurui Company (note 6)	46,689	N/A	589	2,228
Shusha Company	26,683	7.45	12,677	41.94
Chengyu Advertising Company	4,459	6.78	(23)	49.67
Shuhai Company (note 7)	N/A	N/A	(2,128)	(122.26)
Chengya Oil Company	638,298	4.19	27,160	50.35
Zhonglu Energy Company	1,681,574	0.95	24,639	47.62
Renshou Landmark Company (note 8)	N/A	N/A	(111,214)	202.71
Suiguang Suixi Company (note 9)	2,881,848	(4.65)	N/A	N/A





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Notes:

1. For the purpose of this table only, the Company refers to the headquarters of the Group. The profits for the Year exclude dividend income of associates, subsidiaries and available-for-sale investments. While calculating the profits of Chengyu Branch, Chengya Branch and Chengren Branch, 15% income taxes were taken into consideration.
2. Assets were separated from the Company to establish the Chengyu Branch and the change in business registration was completed in April 2014. The revenue decreased due to factors including diversions of road network.
3. Chengren Expressway came into operation in September 2012. Due to the completion of its extension lines and the continuous improvement of supporting facilities, this Year the traffic volume of Chengren Expressway saw an apparent growth.
4. The data of Shugong Testing Company, the subsidiary of Trading Construction Company, is presented separately.
5. Shunan Company established its wholly-owned subsidiary, Renshou Shunan Investment Management Company Limited, in March 2014, whose data is presented separately. The profit of Shunan Company dropped in this Year due to the significant decrease in revenue and increase in expenses, leading to loss position.
6. Shurui Company, the subsidiary of Shuhong Company which was acquired in September 2013, is formerly known as Chengzhi Tongsheng Company and its data is presented separately.
7. The data of the two subsidiaries of Shuhai Company: namely Zhonglu Energy Company and Shuhong Company, is presented separately in the table. Shuhai Company recorded a loss for the Year due to the loss in investment income of new-established joint venture, and the significant decrease in other income and an increase in administrative expenses.
8. Renshou Landmark Company was incorporated on 24 May 2013 and has been in operation for only half a year in 2013. Due to the engagement in the pre-sale campaigns and the stage of the property development, the selling expense and finance costs increased significantly, resulting in a rise in loss.
9. Suiguang Suixi Company is still in its construction period, and revenue realised represented that from construction contracts of Suiguang Suixi Expressways BOT Project.



## (II) Operating conditions of the “toll roads and bridges” segment of the Group

During the Reporting Period, the operation conditions of the expressways under the Group were as follows:

Item	Shareholding percentage (%)	Converted average daily traffic flow (vehicles)			Toll income (before revenue taxes) (RMB'000)		
		2014	2013	Increase/ (decrease) (%)	2014	2013	Increase/ (decrease) (%)
Chengyu Expressway	100	<b>21,552</b>	19,532	10.34	<b>835,794</b>	968,456	(13.70)
Chengya Expressway	100	<b>30,088</b>	21,103	42.58	<b>788,160</b>	681,170	15.71
Chengren Expressway	100	<b>28,704</b>	21,558	33.15	<b>585,988</b>	465,916	25.77
Chengle Expressway	100	<b>27,569</b>	21,929	25.72	<b>464,233</b>	414,419	12.02
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	<b>38,757</b>	35,731	8.47	<b>91,693</b>	86,180	6.40

In 2014, the toll income (before revenue taxes) of the Group was approximately RMB2,765,868,000, representing an increase of approximately 5.72% as compared with last year. The percentage of the toll income to the Group's total revenue (after revenue taxes) was approximately 28.36%, representing a decrease of approximately 1.12 percentage points when compared with 29.48% last year. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's business of toll roads:

- (1) Regional economic development facilitated the increase in demand for transportation. In 2014, Sichuan Province Government delivered its works generally at a moderate but improving pace, as well as deeply implemented three main development strategies. The entire province realized a gross regional product of approximately RMB2,853.67 billion, representing a year-on-year increase of approximately 8.5%. Generally speaking, the economy of the province was developing stably, and the trend of progress in stabilization was shown, driving restorative growth of the traffic flow of the Group's expressway projects to a certain extent.
- (2) In the same period last year, Sichuan Province was continuously hit by natural disasters such as earthquake and rainstorm, and the production and operation activities of many enterprises within the province as well as the frequent travel of residents were affected. At the same time, the disaster relief emergency mechanism of government was executed and toll free policy was implemented for certain expressways of the Company after the earthquake, which affected the operating efficiency of the Group's expressways for the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (3) In 2014, the toll free disaster-relief vehicles substantially decreased and the subsequent post-disaster reconstruction project stimulated the demand for highway traffic in Sichuan. As the major traffic arteries in Sichuan Province, the Group's expressways played an important role in post-disaster reconstruction in Sichuan Province. In particular, traffic volume of Chengya Expressway, being the main artery for the connection between the quake-stricken area and Chengdu Plain, recorded a significant growth.
- (4) 2014 is the "year for comprehensive improvement of and assaulting fortified position in road traffic safety" for Sichuan Province. The governance of over-limit and overload of expressways was carried out throughout the province in full swing since 21 December 2013. The abnormal loading freight trucks were advised to return, which rendered some freight trucks choose normal roads, resulting in a decrease in the traffic volume of freight trucks on highways.
- (5) Since 15 January 2014, Sichuan Province required all on-line toll stations and open truck weighing station of toll roads in the province to provide preferential policies to legitimate transport vehicles with normal loading: toll was collected at 80% of the basic toll rate of the toll-by-weight for two-axle and three-axle freight truck, and 70% for four-axle freight truck and those with more than four axles; at 70% of the basic toll rate for normal container loaded vehicles with normal loading; toll free for normal loading vehicles transporting fresh agricultural products. The implementation of this preferential policy further reduced the toll income from an individual freight truck.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (6) The operating performance of the expressways of the Group was also affected either positively or negatively by the changes of circumjacent competing or cooperative road networks as well as the maintenance and repairing works conducted on circumjacent roads. During the Reporting Period, the Group's expressways were affected by such factors to various extents:

Changes in expressway networks — As the Chengdu-Zigong section, Zigong-Luzhou section and Luzhou-Chishui section of ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway were completed and open to traffic in September 2012, September 2013 and June 2014 respectively, Suining-Ziyang section, Ziyang-Meishan section (completed in June 2013 and November 2014 respectively), and the Luyu (Luzhou-Chongqing) Expressway (completed on 3 June 2013) of SuiZiMei (Suining-Ziyang-Meishan) Expressway, LeYa (Leshan-Ya'an) Expressway (completed on 12 September 2013) and LeZi (Leshan-Zigong) Expressway (completed on 30 December 2013) were open to traffic successively, the expressway network of southern Sichuan began to take shape. The interconnection and improvement of the road networks led to corresponding changes in the traffic distribution and composition in the region and had impact on the Group's expressways to various extents, of which the impact of the diversion of ChengZiLuChi Expressway on Chengyu Expressway was the most obvious. The growth of traffic volume of Chengren Expressway, as the Group's new section open to traffic, was obvious due to the completion of extensions in succession and the continuous improvement of supporting facilities of expressway.





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Local parallel highways opening to traffic — On 28 January 2014, Chengdu-Jianyang Fast Line was open to traffic. Interchange overpasses and intersections were set along the fast line to allow vehicles to go to nearby townships and towns. The line is the shortest highway between Chengdu and Jianyang among all existing highways. Since it is a convenient, rapid and toll free highway, many large freight trucks chose this fast line as the driving line, which had certain impact on Chengyu Expressway.

Renovation construction works on circumjacent roads — From May 2013 to end of May 2014, the main highway from Pengshan Exit of Chengle Expressway to the county seat of Pengshan was closed due to the construction of Chengmianle intercity rail, leaving vehicles near Pengshan heading for and from Chengdu and Leshan to travel through Qinglong Station or Meishan Station, leading to a decrease in the traffic volume at Qinglong-Meishan section of Chengle Expressway during the construction period.

- (7) During the Reporting Period, the toll-free travel for small passenger vehicles on major festivals and holidays policy was continually implemented. A total of twenty days of toll free days including the Chinese New Year, Ching Ming Festival, May Day and National Day had an impact on the Group's toll income.



### (III) Operating conditions of the “Construction” segment and “City Operation” segment of the Group

“Construction” is a mature business of the Group and “City Operation” is an emerging business established by the Group at the current stage. Depending on the professional expertise and experience in the field of construction accumulated for the past many years and relying on the good cooperation between the Company and the local governments along the Group’s highways, the Group will bring into play its advantages in finance, location and brand to vigorously expand its business of highway construction, urban infrastructures and property development along the highways, so as to promote the extension into related upstream and downstream industries and achieve overall improvement in the Group’s efficiency. At present, projects invested and constructed by the Group mainly include:

#### (1) Suiguang-Suixi Expressways BOT Project

At the 2012 first extraordinary general meeting of the Company held on 13 January 2012, the investment in Suiguang-Suixi Expressways BOT Project was considered and approved. According to the preliminary design document of the project, its total length is approximately 164.826km with an operation period of 29 years and 336 days, and the approved estimated preliminary investment is approximately RMB11,887 million. In July 2012, the Company established Suiguang Suixi Company to be in overall charge of the preparation, construction, operation, management and transfer of Suiguang-Suixi Expressways BOT Project. From the date of its commencement of the construction to 31 December 2014, a total of approximately RMB6.125 billion has been invested, accounting for approximately 51.53% of the estimated total investment of the project.



### (2) Renshou Land-linked Pilot BT Project

On 28 January 2011, the proposal in relation to the investment in Renshou Land-linked Pilot BT Project was considered and approved by the Company. In July 2011, Shuhong Company was established to take charge of the implementation of this project. The Renshou Landlinked Pilot BT Project, with an estimated total investment of approximately RMB280,270,000, is located at Gaotan village, Wenlin Town (where the county government is located), Renshou County, Sichuan Province which involves a land area of approximately 4,848 mu. The investment includes relocation of farmers' houses, settlement of "San Tong Yi Ping" (三通一平, generally referred to as site clearance and resettlement, connecting temporary water and electricity supply to the site and road connection to the site) as well as construction of ancillary municipal roads, resettlement houses (including preparation work) (approximately 112,700 sq.m.) and ancillary facilities at the resettlement community. From the date of its commencement of the construction to 31 December 2014, a total of approximately RMB218 million has been invested in Renshou Land-linked Pilot BT Project, accounting for approximately 77.85% of the estimated total investment of the project.





### (3) Shuangliu West Airport Phase VI BT Project

On 13 January 2012, the Company considered and approved the resolution in relation to the investment in and construction of Shuangliu West Airport Phase VI BT Project, and approved Shunan Company to be the project company responsible for the preparation, construction and transfer of the project. On 17 January 2012, the Company won the bid to undertake the project, content of which includes a total of 4 roads, i.e. south extension line of Aviation Avenue, the road on the east side of Rayspower, Airport Road No. 4 and the west extension line of Industrial Park Avenue, with a total length of approximately 8.84 km. The estimated total investment amount is approximately RMB616,070,000, including land requisition and relocation fee of approximately RMB163,030,000 and expenditures for road construction and installation of relevant facilities of approximately RMB453,040,000. From the date of its commencement of the construction to 31 December 2014, a total of approximately RMB309 million has been invested in Shuangliu West Airport Phase VI BT Project, accounting for approximately 50.17% of the estimated total investment of the project.

### (4) Shuangliu Zongbao BT Project

On 28 March 2012, the Company considered and approved the resolution in relation to the investment in Shuangliu Zongbao BT Project, and approved Shunan Company to be the project company responsible for the preparation, construction and transfer of the project. On 6 April 2012, the Company won the bid to undertake the project, which includes 2 roads, i.e. Qinglan Road and the south extension line of Shuanghuang Road, with a total length of approximately 3.23 km. The estimated total investment amount is approximately RMB279,630,000, including land requisition and relocation fee of approximately RMB79,370,000 and expenditures for road construction and installation of relevant facilities of approximately RMB200,260,000. From the date of its commencement of the construction to 31 December 2014, a total of approximately RMB187 million has been invested in Shuangliu Zongbao BT Project, accounting for approximately 66.87% of the estimated total investment of the project.

### (5) Real Estate Projects in Chengbei New Town of Renshou County

On 30 January 2013, resolution in relation to participation in the bidding for the land use rights of three stateowned construction land parcels in Chengbei New Town, Renshou County, Meishan City, Sichuan Province for the investment and development of real estate projects was approved by the Company. On 22 February 2013, the Company won the bid for the land use rights of such land parcels (with a total site area of 235,558.10 sq.m.) at a price of RMB920,160,000. In May 2013, Renshou Landmark Company was established to take full charge of the development and construction of the real estate project in Chengbei New Town, Renshou County. During the Reporting Period, Renshou Landmark Company proactively launched the rules and progress reporting, constantly improved the planning and design and explored marketing capacity and comprehensively promote the project series of the "Times in North Town" ("北城時代") on one hand; and paid positive attention to the land market development in Renshou County and seized proper opportunities to increase land reserves. On 15 May 2014, the Company won the bid for the land use rights of five state-owned construction land parcels (with a total site area of 194,810.52 sq.m.) in Chengbei New Town at a price of RMB787,100,000. At present, the reporting on rules and construction, the image and progress of construction and marketing tasks of the project are stably advancing.

### **(6) Construction projects of Gaotan Water Park in Renshou County, Tianfu Renshou Avenue, etc.**

On 3 January 2014, the Company considered and approved the investment in the construction projects of Gaotan Water Park and Tianfu Renshou Avenue in Renshou County, etc. On 15 January 2014, the Company won the bid to undertake such projects, and on 28 January 2014, the Company entered into the Investment and Construction Contract in relation to the engineering construction projects including Gaotan Water Park, roads in the area of Gaotan Reservoir, landscape engineering of Central Business Avenue, Tianfu Renshou Avenue, underneath channel of Lingzhou Avenue and Renshou Avenue extension. The total estimated investment in these projects amounted to approximately RMB2,472 million (subject to the final financial assessment price, exclusive of land requisition and demolition costs and upfront fee. Relevant preliminary work, e.g. land requisition and demolition, and expenses were borne by the tenderer.) The business registration of Renshou Shunan Company, the company that is fully responsible for the project, has been completed. At present, the landscape project of Central Business Avenue and the extension project of Renshou Avenue had commenced construction, and the tender work of other parts of the projects is under orderly progress.

### **(7) Road engineering project of Renshou Shigao Economic Development Zone, Tianfu New District**

On 3 January 2014, the Company considered and approved the investment in the road engineering project of Renshou Shigao Economic Development Zone, Tianfu New District. On 17 January 2014, the Company won the bid to undertake the project, and on 28 January 2014, the Company entered into the Investment and Construction Contract in relation to the engineering construction projects including section II of Shigao Avenue in Renshou Shigao Economic Development Zone, Tianfu New District, Gangtie Avenue, Qingshui Road and Ring Road (including road maintenance project of Artery No.1), south section of Zhanhua Road (including the business street and Quanlong River levee project) and Logistics Avenue (including storm sewage pipe network project of Huahai Avenue). The total estimated investment in these projects amounted to approximately RMB780 million (subject to the final financial review price). At present, the project is in the charge of Renshou Shunan Company, financial review of certain sub-projects has been finished and the preliminary preparation for the construction work is under orderly progress.

### **(IV) Operating conditions of the “financial investment” segment of the Group**

Financial investment is a business type established by the Group in the principle of integration of industry and finance, aiming at turning its credit and product advantages into financial advantages. While securing low-cost capital through diverse means, the Group will deepen the cooperation with professional investment management institutions, give play to the functions of equity investment, adopt the development mode of “driving finance with industry and promoting industry with finance”, interactively combine industrial capital and financial capital in a multiple way in multiple levels, and expand industrial and financial businesses. Currently, the Group’s major investment and financing work conditions are as follows:

#### **(1) Medium-term notes**

On 23 May 2014, the Company completed the registration for its RMB1.5 billion medium-term notes, and on 17 July 2014, successfully issued the 2014 first tranche of medium term notes of RMB300 million at a par value of RMB100 for a term of “5+5” years, together with an option for the issuer to increase the coupon rate at the end of the fifth year and a sell-back option for investors, at issuance interest rates of 6.30%. The notes created the longest record for financing terms of Sichuan enterprises in the inter-bank bonds market, and the issue price for the 5+5-year-term notes was lower than the interest rate of 10-year-term notes. Moreover, the enterprise could choose whether to extend the financing term at the end of the fifth year based on the availability of proceeds and the consequent financing costs, which will retain a great degree of flexibility in funding arrangement.

#### **(2) Offshore bank loans**

In the first half of 2014, the Company successively entered into offshore loan contracts with Singapore Branch of Bank of China for an offshore loan of RMB300 million and Singapore Branch of Agricultural Bank of China for an offshore loan of RMB194 million respectively. As at 31 December 2014, the two aforesaid RMB-denominated offshore loans had been fully drawn down by the Company.

#### **(3) Medium-long term syndicated loan**

In order to guarantee the construction funds for Suiguang-Suixi Expressways BOT Project are funded in time, upon approval by the Company, the syndicated loan contract in relation to Suiguang-Suixi Expressways BOT Project with China Development Bank as the leading bank was entered into in December 2013. The total syndicated facilities amounted to RMB8,330 million. The lending banks included China Development Bank, China Construction Bank, Industrial and Commercial Bank of China and Postal Savings Bank of China. As at 31 December 2014, an aggregate of RMB3.256 billion of the loan has been drawn down by the Company.

### **(4) Industrial investment funds**

On 24 December 2013, the Company considered and approved the resolution in relation to the cooperation with Development Investment Company in carrying out industrial investment funds related business, pursuant to which, Shuhai Company, a wholly-owned subsidiary of the Company, and Development Investment Company made joint contribution to establish Zhongxin Company with the registered capital of RMB10 million. Each party contributed RMB5 million and held 50% equity interest in the company, respectively. Zhongxin Company had completed industry and commerce registration on 6 January 2014 and its business scope includes assets management, project investment and investment consultation. On 19 June 2014, the Company and Development Investment Company and Zhongxin Company entered into a partnership agreement in relation to the joint contribution to establish of Chengyu Development Fund (成渝發展基金). The total contribution is RMB610,000,000, of which the Company, Development Investment Company and Zhongxin Company should contribute RMB300,000,000, RMB300,000,000 and RMB10,000,000 respectively. Business registration of Chengyu Development Fund was completed on the same day and its business scope covers equity investment and relevant advisory service in relation to non-public transactions involving equity of listed enterprises, non-public offering of equity of listed enterprises, etc.. Currently, the team of Chengyu Development Fund has been basically established, and the commencement work of the project is under progress in a proactive manner.

### **(5) Proposed issuance of corporate bonds**

In order to broaden financing channels and reduce finance costs, as well as raise funds for the medium and long term development of the Company and ensure the continuous and stable growth of the operating efficiency of the Company, the Company convened an extraordinary general meeting on 5 February 2015, with reference to the analysis on the current bond market and the capital needs of the Company. At the meeting, the Company considered and passed the resolution in relation to the issuance of corporate bonds, with a term of five years of no more than RMB1.5 billion.

## **(V) Operating conditions of the “energy and cultural media” segment of the Group**

Energy and cultural media is a fast-growing business of the Group in recent years and mainly involves the operation of gas stations along the expressways of the Group and management of assets, service zones, advertisement, etc. along the expressways. During the Reporting Period, the Group maintain a growth of revenue through integration of assets along the expressways, improvement of service functions, and vigorous development of sales of oil products, advertising, assets leasing, etc. During the Year, the Group recorded a net revenue of approximately RMB2,302,019,000 (2013: RMB2,247,392,000) from operation of gas stations along the expressways, representing an increase of approximately 2.43% over last year; and a net revenue of RMB50,820,000 (2013: RMB34,360,000) from advertising and assets leasing services along the expressways, representing an increase of approximately 47.90% over last year.

## II. FINANCIAL REVIEW AND ANALYSIS

### Summary of the Group's Operating Results

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Revenue, net	<b>9,420,153</b>	8,570,140
Including: Toll income, net	<b>2,671,233</b>	2,526,878
Construction contract revenue, net	<b>4,396,081</b>	3,761,510
Profit before tax	<b>1,299,848</b>	1,309,936
Profit attributable to owners of the Company	<b>975,999</b>	1,015,142
Earnings per share attributable to owners of the Company (RMB)	<b>0.319</b>	0.332

### Summary of the Group's Financial Position

	<b>At 31</b> <b>December 2014</b> <b>RMB'000</b>	At 31 December 2013 RMB'000
Total assets	<b>28,803,105</b>	23,989,082
Total liabilities	<b>16,435,703</b>	12,458,441
Non-controlling interests	<b>601,375</b>	526,138
Equity attributable to owners of the Company	<b>11,766,027</b>	11,004,503
Equity per share attributable to owners of the Company (RMB)	<b>3.848</b>	3.599

### Analysis of Operating Results

#### Revenue

The Group's net revenue for the Year amounted to RMB9,420,153,000 (2013: RMB8,570,140,000), representing an increase of 9.92% over last year, of which:

- (1) The net toll income was RMB2,671,233,000 (2013: RMB2,526,878,000), representing an increase of 5.71% over last year, mainly due to: regional economic development and post-disaster reconstruction project stimulated the traffic demand in Sichuan Province; the significant growth in traffic volume of Chengren Expressway, the Group's new section open to traffic. The above factors partially offset the negative impacts from competitive highways, toll-free holiday policy and preferential policies for trucks. Please refer to pages 21 to 24 of this annual report for details of the main factors influencing the toll income of the Group during the Reporting Period;



- (2) Construction revenue (before revenue taxes) recognized in respect of service concession arrangements was RMB2,995,939,000 (2013:RMB3,191,552,000), representing a decrease of 6.13% over last year. This mainly included RMB2,961,848,000 of construction revenue (before revenue taxes) (2013: RMB3,126,568,000) from the Suiguang Suixi Expressways and Chengren Expressway BOT projects and an aggregate of RMB34,091,000 of construction revenue (before revenue taxes) (2013: RMB64,984,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengbei Expressway and reconstruction projects of gas stations and service zones along the expressways during the Year;
- (3) Construction revenue of other construction and maintenance projects (before revenue taxes) amounted to RMB1,505,838,000 (2013: RMB647,426,000), which was the construction revenue recognized under the percentage-of-completion method in respect of the BT projects and other construction projects.
- (4) The net revenue from operation of gas stations along expressways amounted to RMB2,302,019,000 (2013: RMB2,247,392,000), representing an increase of 2.43% over last year.

### Other Income and Gains

The Group's other income and gains for the Year amounted to RMB124,059,000 (2013: RMB155,174,000), representing a decline of 20.05% as compared with last year. It was mainly attributable due to the interests income from construction agreements and bank deposits, among which: interests from the advance payment in respect of the BT projects of the Group recognized amounted to RMB45,204,000 (2013: RMB76,096,000), and interest from bank deposits amounted to RMB27,736,000 (2013: RMB24,469,000).

### Operating Expenses

The Group's operating expenses for the Year amounted to RMB7,771,157,000 (2013: RMB6,976,363,000), representing a year-on-year increase of 11.39%, of which:

- (1) Construction contract costs recognized under the percentage-of-completion method in respect of service concession arrangements were RMB2,799,958,000 (2013: RMB2,999,442,000), representing a year-on-year decrease of 6.65%. This mainly included construction contract costs of RMB2,766,832,000 (2013: RMB2,936,416,000) from Suiguang Suixi Expressways and Chengren Expressway BOT projects and aggregate construction contract costs of RMB33,126,000 (2013: RMB63,026,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengbei Expressway and construction projects of gas stations and service zones along the expressways during the Year;
- (2) The construction costs recognized under the percentage-of-completion method in respect of construction contracts amounted to RMB1,373,196,000 (2013: RMB551,556,000) which mainly include construction costs of BT and other construction projects;

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Depreciation and amortization expenses increased by 5.94% from RMB519,520,000 in last year to RMB550,358,000 this Year, which was mainly attributable to the annual increment of the amortization of the service concession arrangements;
- (4) The cost of sales of refined oil and petrochemical products was RMB2,181,572,000 (2013:RMB2,161,428,000), which represented an increase of 0.93% as compared to last year.
- (5) Staff costs increased by 13.70% from RMB468,649,000 in the previous year to RMB532,865,000 this Year. This was mainly due to the increases in total salary, various social insurances and housing accommodation fund paid in the Year to certain extent given the the Group's business expansion, the addition of controlled subsidiaries as well as the increase in staff of the Group and increased average salary for the employees in Chengdu;
- (6) Costs of repairs and maintenance increased by 37.63% from RMB157,547,000 in the previous year to RMB216,837,000 this Year, due to an increase in the costs for maintenance of each of the expressways and facilities.

### Finance costs

The Group's finance costs for the Year amounted to RMB484,800,000 representing an increase of 7.59% as compared to last year, principally attributable to (1) the issuance of the new medium-term notes of RMB300,000,000; (2) the increase in the total interest bearing liabilities caused by the net increase of foreign bank loans of RMB244,000,000 for satisfying the Company's business development and project funding requirements.

### Taxation

The corporate income tax expense of the Group for 2014 amounted to RMB227,977,000, representing a decrease of approximately 0.54% as compared to 2013. It was mainly due to the slight decrease of total amount of profit before tax this Year as compared to the previous year, which led to the slight decrease in income tax expense.

### Profit

The Group's profit for the Year amounted to RMB1,071,871,000, representing a decrease of 0.82% as compared with RMB1,080,710,000 in the previous year, of which the profit attributable to owners of the Company was RMB975,999,000, representing a decrease of 3.86% as compared to last year. This was mainly due to:

- (1) Regional economy development, post-disaster reconstruction project and the operation of Chengren Expressway resulted in a year-on-year increase in toll income from the Group's expressways, which partially offset the impacts due to unfavorable factors including the increase in maintenance costs of roads, expenses for amortization for service concession arrangements in respect and finance, etc., leading to an increase of profit by approximately RMB11,637,000;

- (2) During the Year, as Renshou Trading Landmark Company Limited underwent preparatory work for the preliminary sales and was in the development and construction period of property market, sales expense and finance costs both increased significantly, resulting in the loss of approximately RMB107,588,000 for the Year, representing an increase in loss of RMB71,920,000 compared with last year;
- (3) The construction contract business contributed additional profits of approximately RMB29,618,000 for the Year;
- (4) Profits from operation of gas stations along expressways and advertisement leasing increased by approximately RMB34,024,000 for the Year.

### Analysis of Financial Position

#### Non-current Assets

As at 31 December 2014, the Group's non-current assets amounted to RMB21,541,634,000, representing an increase of 13.02% as compared with the end of 2013. The increase was mainly due to:

- (1) an increase of RMB2,995,939,000 in service concession arrangements (including a total of RMB34,091,000 for technological renovation projects on road surface of Chengyu Expressway, Chengya Expressway and Chengbei Expressway and construction projects of gas stations and service zones along the expressways and RMB2,961,848,000 for Chengren Expressway and Suiguang Suixi Expressways BOT projects);
- (2) a total of RMB550,358,000 in provision of depreciation and amortization;
- (3) a decrease of RMB21,767,000 in prepayment related to purchase and construction of non-current assets;
- (4) an increase of RMB42,857,000 in available-for-sale investments;
- (5) an increase of RMB5,947,000 in investment in associates and joint venture; and
- (6) an increase of RMB5,216,000 in deferred tax assets.

#### Current Assets and Current Liabilities

As at 31 December 2014, the current assets of the Group amounted to RMB7,261,471,000, representing an increase of 47.31% as compared with the end of 2013, mainly attributable to:

- (1) An increase of RMB1,825,147,000 in the closing balance of cash and cash equivalents as compared with the end of 2013 due to the cash and cash equivalents used in operating and investing activities, issuance of medium term notes by the Company in the Year, and increases in external borrowings;

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (2) A decrease of approximately RMB4,273,000 in inventories as compared with the end of 2013 mainly due to the increase of approximately RMB9,116,000 in oil reserves of Zhonglu Energy Company and Chengya Oil Company, and an increase of approximately RMB4,843,000 in the spare parts and construction materials;
- (3) An increase of approximately RMB247,485,000 in trade and other receivables as compared with the end of 2013, mainly due to an increase of RMB288,110,000 in trade receivables, an increase of RMB42,155,000 in interests receivables from deposits for guarantee, and an increase of RMB189,762,000 in other receivables. Meanwhile, a decrease of RMB36,699,000 in advance payment of fuel oil freight receivable, and a decrease of RMB235,843,000 in advanced payment for land appropriation and relocation and accrued interest as compared with last year.
- (4) Properties under development increased by RMB78,348,000 as compared with the end of 2013, which was mainly attributable to the property development costs in the Year. As at 31 December 2014, the Group's current liabilities amounted to RMB5,331,329,000, representing an increase of 42.08% as compared with the end of 2013, mainly attributable to: reclassification of non-current liabilities of RMB1,765,730,000 to be due within one year, repayment of loans resulting in a decrease in bank and other interest-bearing loans amounting to RMB969,364,000, increase of RMB18,268,000 in tax payable, and increase of RMB764,409,000 in trade and other payables.

### Non-current Liabilities

As at 31 December 2014, the non-current liabilities of the Group amounted to RMB11,104,374,000, representing an increase of 27.55% as compared to the end of 2013, which was principally attributable to an increase in five-year (or more) bank loan of RMB2,676,068,000, an increase in two-year other loan of RMB80,001,000, and an increase of RMB300,000,000 in medium-term notes. At the same time, repayment of part of the long-term loans resulting in a net increase in bank and other interest-bearing loans amounting to RMB2,328,249,000 for the Year.

### Equity

As at 31 December 2014, the Group's equity amounted to RMB12,367,402,000, representing an increase of 7.26% as compared with the end of 2013, mainly attributable to: (1) profit for the Year of RMB1,071,871,000 which increased the equity; (2) 2013 final dividend of RMB244,645,000 declared in the Year which decreased the equity; (3) an increase in equity of RMB30,170,000 due to the adjustment on the fair value of available-for-sale investments; (4) dividend paid to non-controlling shareholders of RMB20,635,000 which decreased the equity.

### Capital Structure

As at 31 December 2014, the Group had total assets of RMB28,803,105,000 and total liabilities of RMB16,435,703,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 57.06% (2013: 51.93%).

### Cash Flow

As at 31 December 2014, the closing balance of the cash and bank balance of the Group amounted to RMB3,617,110,000 including approximately HKD111,000 (equivalent to approximately RMB87,000), and approximately USD6,370,000 (equivalent to approximately RMB39,557,000) deposits in U.S dollars, and approximately RMB3,577,466,000 cash and bank deposits in Renminbi, representing an increase of approximately RMB1,825,147,000 over the end of 2013.

During the Year, net cash flows used in operating activities amounted to RMB324,472,000 (2013: net cash outflow of RMB2,462,496,000), with an decrease in net cash flows of RMB2,138,024,000 over 2013, which was mainly due to an increase of RMB53,385,000 in deferred income in 2014 as compared to last year, a decrease of RMB357,814,000 in service concession arrangements as compared to last year, and increase in trade and other receivables by RMB223,326,000 and a decrease of RMB904,703,000 in properties development activities expenditures as compared to last year.

Net cash outflow from investing activities of the Group amounted to RMB23,819,000 (2013: net cash inflow of RMB143,060,000). It was mainly attributable to the proceeds received in 2013 from disposal of the 49% equity interests in Trading Construction Company of RMB262,965,000, and the decrease of RMB6,628,000 in interests and dividend receivables as compared to last year.

Net cash inflow from financing activities was RMB2,173,438,000 (2013: net cash inflow of RMB2,290,723,000), representing a decrease of RMB117,285,000 over last year which was mainly attributable to the net increase of RMB401,524,000 in bank loans while, at the same time, an increase of RMB192,605,000 in repayment of loan interests in the Year, a decrease of RMB300,000,000 in new issuance of medium-term notes as compared to last year, and a net decrease of RMB186,184,000 in other loans.

### Capital Commitments

Details of the Group's capital commitments as at 31 December 2014 are set out in note 35 to the financial statements.

### Risk of Exchange Fluctuation

Save that the Company needs to purchase Hong Kong dollars to distribute dividends to H Shares Shareholders, the operating income and expenses as well as the capital expenditures of the Group are mainly settled in Renminbi and thus the fluctuation in exchange rate does not have material impact on the Group's results.

In addition, the Group had not used any financial instrument for hedging purposes during the Reporting Period.

## Borrowings and Solvency

As at 31 December 2014, the Group's interest-bearing bank and other loans amounted to RMB13,014,028,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB7,488,936,000, with annual interest rates ranging from 5.00% to 6.55%; the balance of overseas bank loans was RMB3,773,000,000, with annual interest rates ranging from 4.00% to 5.85%; the balance of other loans amounted to RMB152,092,000, with annual interest rates ranging from 3.30% to 6.51%; and the outstanding medium term notes amounted to RMB1,600,000,000, with annual interest rates ranging from 4.75% to 6.30%. The relevant balances are set out as follows:

	<b>Maturity profile of interest-bearing borrowings</b>			
	<b>Total amount</b> RMB'000	<b>Within 1 year</b> RMB'000	<b>From 1 year to 5 years</b> RMB'000	<b>Over 5 years</b> RMB'000
Loans from domestic commercial banks	7,488,936	245,730	1,496,652	5,746,554
Loans from overseas commercial banks	3,773,000	1,750,000	2,023,000	—
Other loans	152,092	4,545	147,547	—
Medium-term notes	1,600,000	—	1,300,000	300,000
<b>Total (2014-12-31)</b>	<b>13,014,028</b>	<b>2,000,275</b>	<b>4,967,199</b>	<b>6,046,554</b>
Total (2013-12-31)	9,889,413	1,203,909	5,764,967	2,920,537

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB1,899 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. As at 31 December 2014, the balance of syndicated loan for the project amounted to RMB3,906 million.

In 2013, China Development Bank (Sichuan Branch) as leader and other three banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan totaled RMB8,330 million. Such loan was specially used in Suiguang-Suixi Expressways BOT Project. As at 31 December 2014, the Company has withdrawn RMB3,256 million of such loan in aggregate.

### Contingent liabilities and pledge of assets

As at 31 December 2014, the Group's time deposits of RMB11,436,000 and RMB10,939,000, respectively (2013: RMB11,144,000 and RMB10,639,000 respectively) were pledged to secure Chengren Expressway BOT Project and Suiguang Suixi Expressways BOT Project respectively; time deposits of RMB112,150,000 (2013: RMB112,150,000) was pledged for bank loans; and has other pledged deposits amounted to RMB442,000 (2013: RMB4,530,000); the concession rights to collect toll income pertaining to Chengle Expressway with the net carrying values of RMB1,056,545,000 (2013: RMB1,102,194,000) were pledged to secure bank loans amounting to RMB106,400,000 (2013: RMB106,400,000); the concession rights to collect toll income pertaining to Chengren Expressway with net carrying value of RMB7,406,562,000 (2013: RMB7,453,127,000) was pledged to secure the syndicated loan amounting to RMB3,906,436,000 (2013: RMB3,911,012,000); the concession rights to collect toll income pertaining to Chengya Expressway with net carrying value of RMB2,253,127,000 (2013: RMB2,408,484,000) was pledged to secure the overseas syndicated loan amounting to RMB750,000,000 (2013: RMB1,000,000,000); the concession rights to collect toll income pertaining to Suiguang Suixi Expressways with net carrying value of RMB6,124,254,000 (2013: nil) was pledged to secure the syndicated loan amounting to RMB3,256,100,000.

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2014.

### III. BUSINESS DEVELOPMENT PLANS

Based on our analysis and judgment of the business conditions, policy climate and our own development status for 2015, and in line with our business targets for year 2015, we formulated the following business plans:

- (1) Adhere to the direction in the Group's development strategies. The Company will further implement and carry out diversified development strategy that is highly related to its principal business. We will continue to strive to build up the five major segments and promote the development of the segments of city operation, construction, energy and cultural media and financial investments in a proactive and steady manner while keeping to refine and strengthen toll roads and bridges, the principal business of the Company.
- (2) Strengthen management and enhance efficiency. Under a streamlined management, the Company will well perform daily operation, management to ensure the achievement of the operation targets of the Group. The Company will strengthen the effort to fee collection and inspection to guarantee there is no evasion but increase in toll receivables to further increase the profitability of the major businesses of the Group. In addition, we will pay attention to the maintenance and pavement overhaul and medium fixing work and develop its strength in construction preparation, quality management, safety control and other aspects, so as to expand the expressway maintenance and construction business and relevant supporting industries; better the sale of refined oil, proactively expand businesses including fuel additives and new energy projects to extend the scale and length of up- and down-stream industry chain in a moderate manner. We will innovate the operation mode of expressway service zones and advertising media, develop the operating business of special industries to capture development potentials, increase efficiency, enhance the overall revenue capacity and increase the our support to projects of land development and building construction to gradually expand our shares in the construction market.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Conduct streamlined management for projects under construction and ensure that the project is fully under control. The Company will keep focusing on the construction of Suiguang-Suixi Expressways BOT Project, Renshou Land-linked Pilot BT Project to promote the standard and streamlined management for project construction and ensure that the quality, safety, cost and progress of the projects are fully under control, with an aim of establishing an exemplary project of high quality; making orderly progress in the engineering and marketing planning of Real Estate Projects in Chengbei New Town of Renshou County, speeding up the recovery of capitals; The Company will accelerate the checking and examination work of Shuangliu West Airport Phase VI BT Project and Shuangliu Zongbao BT Project to speed up the settlement progress and receive the construction revenue in a timely manner; steadily carry forward the construction and management of projects including the construction projects of Gaotan Water Park and Tianfu Renshou Avenue and the road engineering project of Renshou Shigao Economic Development Zone in Tianfu New District. Meanwhile, the Company will ensure the project quality to achieve a win-win situation in both investment revenue and brand establishment, so as to enhance the sustainable development potential of the Group.
- (4) Reinforce financial management and control and seek for new financing methods. The Company will strengthen the overall management on financial budget to enhance the control over cost and expenses. In addition, we will reinforce capital operation and explore new investment domains and investment models in an active manner. Under the premise of controllable risks, the Company will made greater and more diversified investments in relevant industries; Making full use of the low-cost financing advantage of the Group, we will manage to obtain low-cost capital through various channels, which will ensure adequate cash flow to settle debts and sufficient financial resources to finance the development of the Group's businesses.
- (5) Intensify risk prevention and control and enrich reserve for quality projects. The Company will grasp the market opportunity and expand auxiliary businesses like transportation property, intelligent transportation and logistics transportation by making use of road network resources and data resources of the Group. In addition, on top of conducting sufficient research, demonstration and risk management and control, we will reserve a number of high-quality projects with good economic effectiveness and development potential to achieve the expansion of business segments of the Group and open up new profit growth drivers.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (6) Deepen reform and facilitate development. The Company will continue to perfect and optimize the establishment of modern corporate system to promote corporate governance. The Company will improve the Group's mechanism of innovation driven development and further improve the sound corporate management system with definite division between power and obligations, scientific management and high efficiency through strengthening internal management innovation, human resources management innovation, remuneration system innovation, innovation of project investment mode and way of cooperation, promoting development with reform and securing benefits relying on management.



**Gan Yongyi**

*Vice Chairman and General Manager*

Chengdu, Sichuan, the PRC  
26 March 2015

# CORPORATE GOVERNANCE REPORT

## I. Corporate Governance

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Corporate Governance Code (the “Code”) of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. As at the date of this report, there was no material difference between the actual situation of the corporate governance of the Company and the requirements under the Code of Corporate Governance for Listed Companies, and the Company has adopted and fully complied with the provisions of the Code, except that Mr. Wang Shuanming was unable to attend the fifteenth meeting of the fifth session of the Board of the Company held on 28 August 2014 in accordance with the code provision A.6.7 under the Code due to significant business engagement.

Since establishment, the Company has set up a corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the management, and has conducted on-going review and improvement of such structure in practice. To date, the Company has successively established special committees under the Board, including the Audit Committee, the Strategic Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Company has also adopted an independent internal audit system, established a relatively comprehensive internal control system and formulated multi-tier governance rules based on the Articles of Association, aiming at clearly defining the duties, limits of authorities and codes of conducts for all parties. In accordance with laws, regulations and the governance rules, the general meeting, the Board, the Supervisory Committee and the management of the Company discharge their own duties, coordinate with each other, effectively counter-balance each other, and continuously enhance corporate governance standards, thereby laying a solid foundation for driving the Company’s development and maximizing value for the Shareholders.

### (I) Amendments to and improvements in corporate governance system

During the Reporting Period, the Company further supplemented and completed the corporate governance system of the Company according to relevant requirements from regulators. In May 2014, the Company amended and improved the provisions in relation to profit distribution policies in the Articles of Association after obtaining the approval in annual general meeting, which further specified the priority and order of cash dividend against share dividend in profit distribution. Pursuant to the amended Articles of Association, the Company may distribute its profit in cash, shares, a combination of both cash and shares or otherwise permitted by laws and regulations. Cash dividend is prior to share dividend in profit distribution. Where the conditions of cash dividend are met, profit distribution shall be carried out in form of cash dividend. Shareholders and investors can inspect the details on the amendment of the said rules and regulations on the websites of the SSE, the Stock Exchange and the Company.

### (II) Sound establishment of internal control system of the Company

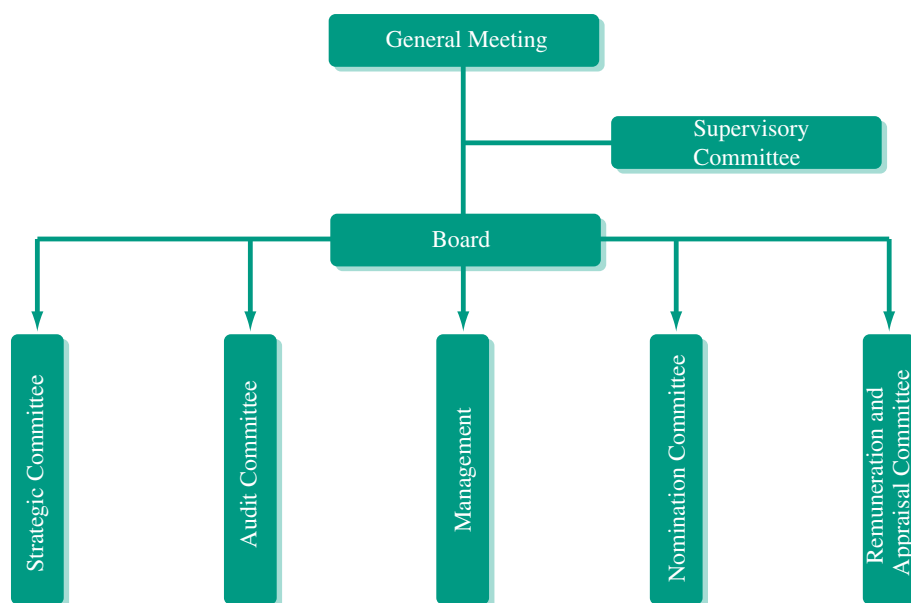
After years of operation and development, the Company has established a relatively comprehensive internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its internal control system needs to be continuously optimized and enhanced. Meanwhile, in order to implement the “Basic Rules for Internal Control of Companies” jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the Implementary Guideline for Enterprise Internal Control, and in light of the “Guidelines on Internal Control for Listed Companies” by the SSE and the Code, the Company has launched the construction of the corporate internal control system in an all-around way since the second half of 2010 and promptly completed the preparation and test of the Internal Control Manual as well as self-assessment and audit of internal control for the years 2011, 2012 and 2013. In 2014, the Company further standardized and implemented corporate internal control mainly through promotion, implementation and training based on the Internal Control Manual, revisions to the Internal Control Manual (including amendment, insertion, deletion and perfection), preparation and unification of assessment templates for internal control testing, amendment to internal management system and assessment of internal control testing, etc.

The Board is responsible for establishing and effectively implementing a sound internal control system, over which the supervisory committee shall exercise supervision. The management is responsible for organizing and implementing the day to day operation of the Company’s internal control. Through making self-assessment of the design and implementation effectiveness of the Company’s internal control as at 31 December 2014, the Board considers that, in terms of such businesses and matters as included in the scope of assessment, the Company had put in place internal control which had been implemented effectively with the Company’s internal control objectives being accomplished, and there were no significant defects during the Reporting Period. Shinewing Certified Public Accountants (Special General Partnership) has audited the effectiveness of the relevant internal control for financial reporting of the Company and issued auditors’ reports with standard unqualified opinions.

In the future, the Company will continue to press ahead with the implementation of the corporate internal control system, and optimize the internal control system based on its existing system, and practically establish and implement a corporate internal control system with definite division between powers and obligations, scientific management and high efficiency.

## II. Legal Person Governance Structure of the Company

The current governance structure of the Company is shown in the diagram below:



### (I) Shareholders and General Meetings

The Company treats all the Shareholders on an equal footing by ensuring that all Shareholders, especially minority and medium Shareholders, are entitled to enjoy equal status and fully exercise their respective rights, and are entitled to the right to access to and make decisions on material matters of the Company and strictly prohibits any act detrimental to the interests of the Company and the Shareholders. Notice of, authorization from and consideration at general meetings are all in compliance with relevant procedures.

#### 1. Substantial Shareholders

The substantial shareholders of the Company include STI Group (holding 33.87% equity interest) and Huajian Company (holding 21.73% equity interest). The substantial shareholders had acted properly and never exploited their special position to intervene, in ultra vires over the general meetings, the decision-making or the operation of the Company or advance extra interests.

The Company has separate personnel, assets, finance, organization and business from the substantial shareholders. In respect of personnel, there is no interlocking and the Company has the rights of free appointment and removal in terms of labor and personnel; in respect of assets, the Company is strictly separated from its controlling shareholder, possesses full ownership over its operating assets and operates with full independence; in respect of finance, the Company has an independent financial department and independent financial accounts and is able to autonomously make its financial decisions while the application of funds is free from any interference from the controlling shareholders; in respect of organization, there is no question of "one team operating in two companies", mixed operation or work in the same premise, and the office and business premise are separated; in respect of business, the Company has a different scope of business from those of its controlling shareholder and owns entire business independence and independent operation capability.

### **2. General Meetings and Rights of Shareholders**

As the highest authority of the Company, the general meeting exercises its power in determining material matters of the Company pursuant to the laws. Shareholders requisitioning extraordinary general meetings of Shareholders or class meetings shall abide by the following procedures: Shareholders individually or collectively holding 10% (inclusive) or more of the Shares of the Company shall sign one or more counterpart requisitions stating the subject of the meeting and requiring the Board to convene a Shareholders' extraordinary general meeting or a class meeting. The Board shall as soon as possible proceed to convene the extraordinary general meeting of Shareholders or a class meeting after receiving the requisition; The Board shall furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days after receiving such requisition; in the event that the Board agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after the passing of the relevant resolution of the Board; in the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten (10) days after receiving such proposal, Shareholders individually or collectively holding 10% or more of the Company's Shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting; in the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after receiving such request; failure of the Supervisory Committee to issue the notice of the general meeting shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and Shareholders individually or collectively holding 10% or more of the Company's Shares for ninety (90) consecutive days or more may convene and preside over the meeting by themselves.



## CORPORATE GOVERNANCE REPORT (*CONTINUED*)

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The annual general meetings or other extraordinary general meetings in each year provide a channel of direct communication between the Board and Shareholders. The Company encourages all Shareholders to attend general meetings and issues the meeting notice within 45 to 50 days prior to the convening of the meetings, and takes appropriate ways of disclosure and expression based on the regulatory regulations of different stock exchanges and reading habits of different investors to provide Shareholders with information or data that is helpful to decision-making. The Company discloses the details of procedures for Shareholders to attend in person or by proxy, contact information for enquiries by Shareholders, etc., in the notices of general meetings. In accordance with the provisions under the Articles of Association, Shareholders individually or collectively holding more than 3% of the Company's Shares can make a temporary motion and submit in writing to the convener ten (10) days before the date of Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting announcing the contents of the temporary motion within two (2) days upon receipt of the motion. At the general meetings, all Shareholders also have opportunities to make enquiries to the Directors about issues concerning the operation and results of the Group. All Directors and senior management of the Company are required to attend the meetings as far as possible to answer Shareholders' enquiries and discuss directly with Shareholders about the Company's business and prospect.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

In 2014, the Company convened one general meeting. The convening of and matters approved at the meetings are summarized as follows:

Session and Number of Meeting	Date of Meeting	Name of Resolutions	Resolutions
2013 annual general meeting	28 May 2014	<ol style="list-style-type: none"> <li>1. Resolution in relation to profit appropriations and dividend distribution plan of the Company for the year 2013;</li> <li>2. Resolution in relation to the financial budget implementation report of the Company for the year 2013;</li> <li>3. Resolution in relation to work report of the Board for the year 2013;</li> <li>4. Resolution in relation to work report of the supervisory committee (the "Supervisory Committee") of the Company for the year 2013;</li> <li>5. Resolution in relation to the duty performance report of independent Directors for the year 2013;</li> <li>6. Resolution in relation to the 2013 domestic and overseas annual reports and their summaries;</li> <li>7. Resolution in relation to the Company's financial budget proposal for the year of 2014;</li> <li>8. Resolution in relation to the re-appointment of Ernst &amp; Young Certified Public Accountants as the international auditor of the Company for the year 2014;</li> <li>9. Resolution in relation to the re-appointment of Shinewing Certified Public Accountants (Special General Partnership) as the PRC auditor of the Company for the year 2014;</li> <li>10. Resolution in relation to the election and appointment of Mr. Chen Weizheng ("Mr. Chen") as an independent Director of the fifth session of the Board and determination of his remuneration scheme;</li> <li>11. Resolution in relation to the election and appointment of Ms. He Kun ("Ms. He") as a Supervisor of the fifth session of the Supervisory Committee of the Company and determination of her remuneration scheme;</li> <li>12. Resolution in relation to the execution of the Heavy Oil and Fuel Agreement (《重油·燃料油買賣合同》) between Sichuan Zhonglu Energy Company Limited ("Zhonglu Energy") and PetroChina Company Limited Sichuan Oil Sales Branch* (中國石油天然氣股份有限公司四川銷售油料分公司);</li> <li>13. Resolution in relation to the execution of the Asphalt Agreement (《瀝青買賣合同》) between Zhonglu Energy and PetroChina Fuel Oil Company Limited Southwest Sales Branch* (中石油燃料油有限責任公司西南銷售分公司);</li> <li>14. Resolution in relation to the execution of the Refined Oil Agreement (《成品油買賣合同》) between Zhonglu Energy and PetroChina Company Limited Sichuan Sales Branch* (中國石油天然氣股份有限公司四川銷售分公司);</li> <li>15. Resolution in relation to the execution of the Refined Oil Carriage Agreement (《成品油公路承運合同》) between Zhonglu Energy and CNPC Transportation Co., Ltd. Sichuan Branch* (中國石油天然氣運輸公司四川分公司);</li> <li>16. Resolution in relation to the execution of the Materials Purchase Agreement (《物資採購關聯交易框架協議》) between Zhonglu Energy and Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司);</li> <li>17. Resolution in relation to the exemption of performance of undertakings of Sichuan Transportation Investment Group Corporation (the controlling Shareholder);</li> <li>18. Resolution in relation to the amendments to the Articles of Association;</li> <li>19. Resolution in relation to the insurance debt financing.</li> </ol>	All the resolutions were duly considered and passed

\* For identification purposes only

In addition to the said communication with the Board by means of general meetings, Shareholders can also submit their enquiries and questions in writing to the Board through the Secretary to the Board at any time. The contact details of Mr. Zhang Yongnian, the Secretary to the Board, are as follows:

Tel: (86)28-8552 7510  
Fax: (86)28-8553 0753  
E-mail: cygszh@163.com  
Contact address: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC  
Postal code: 610041

## (II) Board and Directors

### Board

#### 1. Responsibilities and division of work

The Board acts on behalf of the interests of Shareholders as a whole and is accountable to the general meetings. Its main duties are to exercise rights of decision-making and management in accordance with laws and regulations and the authorization of general meetings in terms of the Company's development strategies, management framework, financing and investment plans, financial control and human resources, etc, and to exercise supervision and inspection on the development and operating activities of the Company. The Board has established 4 special committees and assigned certain specific powers to each committee to assist the Board in effective performance of duties. The composition, responsibilities and functions of each committee are set out in the section headed "Special committees of the Board" in this chapter. Unless otherwise stipulated in the terms of reference of relevant committees, the Board reserves the final right to make decisions.

The management is accountable to the Board. Its major responsibilities are to implement the resolutions of the Board, manage the Company's day-to-day operations, organize the implementation of the Company's annual business plan and investment plan, and make relevant decisions in accordance with laws and regulations and the authorization of the Board. When the Board delegates powers in respect of management and administrative functions to the management, it has given clear guidance on the powers of the management. In exercise of duties, the management should not exceed the permitted scope of its duties.

In order to ensure that there is an appropriate balance of power between the Board and the management and that there is no undue concentration of power and authority in a single individual, positions of the Chairman and the General Manager of the Company are taken up by different persons. The Chairman takes charge of affairs of the Board, reviews the execution of the resolutions of the Board, formulates the Company's development strategies and capital operation whereas the General Manager, with the support and assistance from other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementation of the strategies formulated by the Board and day-to-day decision-making. The reasonable division of work under the laws ensures a definite division of power and obligations with clear-cut and efficient decisions and implementations between the Board and the management.

### 2. Composition

As at 31 December 2014, the Board consisted of 11 Directors. It was the fifth session of the Board since the establishment of the Company. The term of office of the Directors commenced from 28 March 2013 or from the date on which the Directors were elected. As at the date of this report, the composition of the Board of the Company is set out in VIII "Profile of Directors, Supervisors, Senior Management and Employees" in this annual report.

The fifth session of the Board has 4 independent non-executive Directors, representing more than one-third of the total directorship. Independent non-executive Directors are experienced professionals in various industries including human resources management, civil engineering, economy and accounting. With a responsible attitude and extensive professional knowledge and experience, the independent non-executive Directors have in good faith performed their independent duties of honesty and diligence in participating in discussion and decision-making on material matters of the Company, reviewing the connected transactions, capital transaction and external guarantee of the Company as well as giving their independent opinions or recommendations, whereby the overall interests of the Company and the lawful interests of the Shareholders as a whole have been effectively safeguarded. Independent non-executive Directors have played an important role in the Board of the Company.

Composition of the Board satisfied the demand of the Company's business for the Board members concerning their skills and experience together with perspectives and diversified angles. Change of the Board members will not bring in unsuited interference. Executive Directors and non-executive Directors (including independent non-executive Directors) of the Board constitute a balance structure with strong independency is capable of making independent judgment. Non-executive Directors possess sufficient caliber and number to put forward influential opinions and thus effectively safeguarding the interest of the Company as a whole and of all its shareholders.

### 3. Meetings of the Board

During the Year, the Board of the Company convened a total of 6 Board meetings in view of the needs of the operation and business development of the Company. Board meetings and relevant resolutions are published on the websites of the Stock Exchange, the SSE and the Company for inspection by Shareholders and investors.

The Board holds regular meetings on a quarterly basis and extraordinary meetings if necessary. The notice of regular Board meeting shall be sent to all Directors at least 14 days before the meeting, the notice of other extraordinary Board meetings shall be sent to all Directors at least 10 days before the meeting. The Chairman, more than one third of Directors, more than one half of independent non-executive Directors, the Supervisory Committee, General Manager and Shareholders representing more than one tenth of voting rights have rights to propose the convening of an extraordinary Board meeting.

The management of the Company is responsible for provision of relevant statistics and information required for the Board's consideration of various resolutions and arranging for senior executives to report their work at Board meetings. The Board of the Company and its special committees are entitled to appoint independent professional institutions for services according to the needs of the exercise of authority, performance of duties or corporate businesses, and the reasonable expenses incurred there from shall be borne by the Company.

When a Board meeting considers any transaction, Directors shall declare their interests involved, and shall abstain from voting at the meeting as required. The Company has stated in the Articles of Association that, if a Director has a conflict of interest in any material matter, the connected Director must abstain from voting at the Board meeting.

## **Directors**

### 1. Appointment

Directors are elected or replaced at general meetings. Shareholders, the Board or the Supervisory Committee of the Company are eligible to nominate candidates for Directors in writing. Directors serve for a term of office of 3 years and, upon expiry of the term. Their appointment is subject to further consideration at general meetings and they may offer themselves for re-election. Independent non-executive Directors shall be the persons not connected with the management and substantial shareholders of the Company.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 2. Information support and professional development

As always, the Company has been committed to improving its internal information support system and communication mechanism so as to secure effective functioning of the Board. Through the Secretary to the Board, all Directors during their term of office are able to keep abreast of relevant information and the latest movements in laws, regulations, regulatory ordinances and other continuing obligations that directors of listed companies shall comply with, on a timely basis. Through various means such as statistics provision, work reports, site visits, professional trainings and special conference, etc, all Directors are enabled to keep informed of the business development, competition and regulatory environment of the Company on a timely basis, thus ensuring the Directors understand their duties. This facilitates correct and effective decisions by the Directors and ensures procedures of the Board and the applicable laws and regulations are duly observed.

In 2014, the participation of Directors in sustainable professional development activities is as follows:

Name of Director	Type of Activity	
	Reading materials in respect of traffic and transportation, corporate governance, capital operation and financial accounting	Participation in centralized trainings and attendance in forums, seminars and meetings on regulatory work
Zhou Liming	✓	✓
Gan Yongyi	✓	✓
Wu Xinhua	✓	✓
Tang Yong	✓	✓
Huang Bin	✓	✓
Wang Shuanming	✓	✓
He Zhuqing	✓	✓
Sun Huibi	✓	✓
Guo Yuanxi	✓	✓
Fang Guijin (resigned)	✓	✓
Chen Weizheng	✓	✓
Yu Haizong	✓	✓

Note: Details of retirement and resignation of Directors please refer to the section titled "Changes of Directors, Supervisors and Senior Management" of this annual report.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

In addition, the Secretary to the Board of the Company has also accepted professional training of no less than 15 hours in accordance with Rule 3.29 of the Listing Rules.

### 3. Duty performance this Year

During the Reporting Period, the members of the Board of the Company were jointly responsible for the management and operation of the Company's businesses. Each Director actively cared for the Company's businesses and cautiously and diligently executed their respective responsibilities on the basis of fully understanding the Company's businesses and in good faith in the best interests of the Company.

In 2014, the attendance of the Board meetings and general meetings by the Directors is as follows:

Name of Director	Required attendance in Board meetings during the Year	Attendance of Board Meetings			Attendance of General Meetings	
		Attendance in person	Attendance via communications	Attendance by proxy	Attendance in person/required attendance	Number of attendance/meeting
Zhou Liming	6	6	1	0	6/6	1/1
Gan Yongyi	6	6	1	0	6/6	1/1
Wu Xinhua	6	6	1	0	6/6	1/1
Tang Yong	6	6	1	0	6/6	1/1
Huang Bin	6	6	1	0	6/6	1/1
Wang Shuanming	6	5	1	1	5/6	1/1
He Zhuqing	6	6	1	0	6/6	1/1
Sun Huibi	6	6	1	0	6/6	1/1
Guo Yuanxi	6	6	1	0	6/6	1/1
Fang Guijin (resigned)	3	3	1	0	3/3	1/1
Chen Weizheng	3	3	0	0	3/3	1/1
Yu Haizong	6	6	1	0	6/6	1/1

Note: Details of retirement and resignation of Directors please refer to the section titled "Changes of Directors, Supervisors and Senior Management" of this annual report.

Number of Board meetings held during the Year	6
Of which: Number of physical meetings	5
Number of meetings held via communications	1
Number of meetings held by way of combination of both	0

During the Reporting Period, all Directors of the Company have attended the Board meetings with due care and diligence, and offered professional suggestions and independent judgments in respect of the material issues being discussed at the meetings by virtue of their expertise and experience.

Apart from attendance of Board meetings with due diligence and performance of their duties with honesty, the independent non-executive Directors of the Company also held meetings with external auditors to discuss annual auditing issues in accordance with relevant requirements and guidance and provided independent opinions and recommendations to the Board in respect of material issues and connected transactions of the Group, etc. During 2014, independent non-executive Directors, by means such as joining the Board and special committees, reviewed and provided independent opinions on material issues of the Company such as investment decisions, connected transactions, capital transaction with related parties and external guarantee, profit distribution, nomination of senior management and internal control, etc, whereby the overall interest of the Company and the lawful interest of the Shareholders as a whole had been safeguarded and the healthy development of the Company had been promoted.

During the Year, the independent non-executive Directors had neither raised any objections to the resolutions of the Board nor made any proposals to convene a Board meeting.

#### 4. Remunerations of Directors and Supervisors

Until now, remunerations of the Directors, Supervisors and senior management of the Company are determined in accordance with relevant PRC policies or regulations, the Company's actual situation and applicable percentage of per capita income of the working population of Chengdu where the Company is situated. The Board (considering the opinions of the Remuneration and Appraisal Committee) and the Supervisory Committee should make suggestions on the remunerations schemes for Directors and Supervisors which are subject to final consideration and approval at the general meeting. The year-end bonus and welfares for executive Directors should be determined by the Board as authorized by the general meeting, after giving consideration to the opinions of the Remuneration and Appraisal Committee. Information on the remunerations of Directors and Supervisors of the Company for 2014 are set out in note 8 to the financial statements of this annual report.

#### 5. Independence of Directors

The Company has appointed a sufficient number of independent non-executive Directors. The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with the requirements of Rule 3.13 of the Listing Rules of the Stock Exchange. The Company believes that the incumbent independent non-executive Directors have all complied with such rule and the relevant regulations of the SSE and are still regarded as independent.

6. Securities transactions by Directors

During the Year, the Company has adopted a code of conduct regarding securities transactions by the Directors on terms not less exacting than the required standards set out in the Model Code, and has strictly complied with the relevant requirements of the Listing Rules of the SSE. Having made specific enquiries to all Directors, it was confirmed that the Directors of the Company have complied with the Model Code in relation to securities transactions by the Directors and its standards of code of conduct and there had not been any non-compliance with the relevant requirements of the Model Code and the Listing Rules of the SSE.

7. Director's liability insurance

Purchase of liability insurance for Directors will, on one hand, enable the Company to establish an effective prevention mechanism against the vocational risks associated with the management staff, encourage their innovation, attract more excellent management talents and optimise the corporate governance structure of the Company; and on the other hand, it will enhance the anti risk ability of the Company and contribute to the protection of the lawful interests of minority and medium Shareholders. Since March 2012, the Company has purchased liability insurance for Directors, Supervisors and senior management members of the Company in relation to their performance of duties.

8. Responsibility statement on financial statements by the Directors

The Directors confirm that they have the responsibility to prepare the financial statements that can give a true and complete view of the Group's financial position. The Board is of the opinion that as the Company's resources are sufficient for its operation in future, the financial statements have been prepared based on the going concern, and that in preparation of such financial statements, applicable accounting policies were adopted.

### (III) Special committees of the Board

In order to help the Board to discharge its duties and promote effective operation, 4 special committees have been set up under the Board. These committees review and monitor matters in specific areas of the Company within their designated terms of reference, and make corresponding recommendations to the Board. The detailed implementation rules for each committee has been approved by the Board and published on the websites of the Stock Exchange, the SSE and the Company for inspection by Shareholders and investors.

Members of the committees shall be elected and appointed by the Board in accordance with the provisions under the detailed implementation rules for their respective committees. The term of office of the members is the same with that of the Board, renewable upon re-election.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The composition and duty performance of the committees during the period from 1 January 2014 to 28 May 2014 are set out as follows:

Name of Director	Role of Director	Audit Committee		Strategic Committee		Nomination Committee		Remuneration and Appraisal Committee	
		Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting	Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting	Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting	Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting
Zhou Liming	Executive Director	–	–	*	0/0	✓	1/1	–	–
Gan Yongyi	Executive Director	–	–	✓	0/0	–	–	✓	2/2
Sun Huibi	non-executive Director Independent	–	–	–	–	*	1/1	–	–
Guo Yuanxi	non-executive Director Independent	✓	3/3	–	–	✓	1/1	–	–
Fang Guijin	non-executive Director Independent	✓	3/3	✓	0/0	–	–	*	2/2
Yu Haizong	non-executive Director	*	3/3	–	–	–	–	✓	2/2

On 18 March 2014, Mr. Fang Guijin applied for resignation from the position of independent non-executive Director of the Company, chairman of the Remuneration and Appraisal Committee and member of Strategic Committee under the Board of the Company due to his personal career commitments. In accordance with the relevant regulations of the Company Law of the People's Republic of China, the Guiding Opinion on Establishment of Independent Director Systems by Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》) and the Articles of Association of the Company, Mr. Fang Guijin shall continue to perform relevant duties of independent non-executive Director of the Company and special committees of the Board prior to the election of the new independent non-executive Director by the Company, and his resignation will only be effective upon the election of the new independent non-executive Director at the Company's general meeting. On 28 May 2014, the Company convened the 2013 annual general meeting, at which Mr. Chen Weizheng was elected and appointed as the independent non-executive director of the fifth session of the Board of the Company. On the same day, the Company convened a Board meeting to appoint Mr. Chen Weizheng as the chairman of the Remuneration and Appraisal Committee and a member of Strategic Committee under the Board of the Company. During the period from 28 May 2014 to 31 December 2014, the compositions of the committees and their duty performance are as follows:

Name of Director	Role of Director	Audit Committee		Strategic Committee		Nomination Committee		Remuneration and Appraisal Committee	
		Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting	Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting	Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting	Member ("√"/"") Chairman ("√"/"")	Number of attendance/ meeting
Zhou Liming	Executive Director	–	–	*	1/1	✓	0/0	–	–
Gan Yongyi	Executive Director	–	–	✓	1/1	–	–	✓	0/0
Sun Huibi	non-executive Director Independent	–	–	–	–	*	0/0	–	–
Guo Yuanxi	non-executive Director Independent	✓	3/3	–	–	✓	0/0	–	–
Chen Weizheng	non-executive Director Independent	✓	3/3	✓	1/1	–	–	*	0/0
Yu Haizong	non-executive Director	*	3/3	–	–	–	–	✓	0/0



## 1. Audit Committee

The Company set up the Audit Committee in November 2004. The major terms of reference of the Audit Committee are as follows: to review the Company's financial information and its disclosure; to perform corporate governance functions, and supervise the Company's internal control, financial reporting system and risk management procedures; to make recommendation on the appointment and dismissal of external accountants, review and monitor the external accountant's independence and objectivity and the effectiveness of the audit process; and to work with the Board to formulate policies concerning the Company's engagement of accountants and supervise the implementation of such policies.

In respect of the performance of corporate governance functions by the Audit Committee, the Board has authorized the committee to perform the following functions: to formulate and review the Company's corporate governance policies and practices and make recommendations to the Board in respect thereof; to review and monitor the Company's compliance with the regulatory systems under the laws and regulations (including but not limited to the Listing Rules) and regulatory authorities (including but not limited to the Stock Exchange and the SSE); to formulate, review and monitor the code of conduct and compliance manual (if any) for the Company's staff and Directors; and to review the Company's compliance with the Corporate Governance Code (as amended time from time) set out in the Appendix 14 to the Listing Rules of the Stock Exchange and the disclosure of such compliance in the Corporate Governance Report in its periodical reports as required under the Listing Rules.

The committee hereby presents its work report during 2014 as follows:

### Written Report of the Audit Committee

The Audit Committee convened 6 meetings in 2014 and 2 meetings in 2015 (as at the date of this report). Meetings of the Audit Committee were presided over by the chairman of the Audit Committee. All members of the committee attended the meetings in person. The external auditors and Supervisors, Secretary to the Board and Financial Controller of the Company were also invited to attend the meetings except for the eleventh meeting of the fifth session of the Audit Committee, which were only attended by members of the Audit Committee and the external auditors. The major work completed by the Audit Committee during the said period is as follows:

#### — Reviewing regular financial reports

The Audit Committee is responsible for examining and supervising the integrity of the Company financial statements, accounts and periodical reports, and reviewing significant financial reporting judgments contained in such statements and reports. In accordance with relevant procedures, the management is responsible for preparation of the Group's financial reports including adoption of appropriate accounting policies, the external auditors are responsible for auditing and verifying the Group's financial reports and evaluating the Group's internal control system, while the Audit Committee supervises the work of

## CORPORATE GOVERNANCE REPORT (CONTINUED)

both the management and the external auditors and confirms the procedures and safeguard measures adopted by the management and external auditors. In reviewing these statements and reports before submission to the Board, the Audit Committee should focus particularly on any changes in accounting policies and practices, matters involving significant judgment, significant adjustments resulting from audit and the going concern assumptions, any qualified opinion and whether it is in compliance with relevant accounting standards and requirements concerning financial reporting under the Listing Rules and laws. The specific work includes:

- (1) Reviewing the 2013 annual financial statements and unaudited financial statements for the second half year of 2014 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2014 (according to the PRC GAAP), and making approval suggestions to the Board.
- (2) Before the annual audit of 2014, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2014 financial report of the Company and the report on annual audit plan from external auditors, and communicated on the audit scope, method, focus and specific scheduling for the Year.
- (3) After completing audit and issuing preliminary audit opinions by external auditors, the Audit Committee convened the 2015 first meeting to discuss and communicate with the external auditors of the Company on relevant issues of the financial and accounting statements of the Company and the preliminary audit opinions of the auditors.
- (4) During the audit process for the Year, the Audit Committee maintained continuous communications with external auditors, who submitted this Year's audit report on time after prior and complete communications and prompt supervision during the audit.
- (5) The Audit Committee convened the 2015 second meeting to consider the 2014 annual audit report of the Company and considered that the Group's 2014 annual financial statements can truly and correctly reflect the operation results of the Group for the year 2014, and the financial position as at 31 December 2014. It recommended the Board to make approval.

### – **Internal control and corporate governance reviewing**

The Audit Committee is responsible for assisting the Board in reviewing the effectiveness of the Group's internal control. During the Year, the Audit Committee inspected financial control, risk management and the progress of internal control construction. No impropriety in respect of financial reporting, internal control or other aspects that might occur has been brought to the attention of the Audit Committee by any employees of the Company. The Audit Committee earnestly reviewed the Group's financial and accounting policies and practices, the Internal Control Manual in areas such as the corporate-level control and business-level control, focused on the examination of the implementation of rectification for the general defects found in the 2013 Self-Assessment Report of Corporate Internal Control, and reviewed the effectiveness of the Group's internal control (including finance, operation, compliance control and risk management functions), and the resources and qualifications and experience of staff in respect of the Company's accounting and financial reporting functions and the sufficiency of training sessions for staff and relevant budgets. On this basis, the Audit Committee reviewed the 2014 Self-Assessment Report of Corporate Internal Control of the Company and was of the opinion that the report gave a comprehensive and objective view of the establishment and operation of the internal control system of the Company, and that the Company has established a relatively complete internal control system and is continuously optimizing and improving the system, which plays favorable supervision and guiding functions for the standard operation of the Company.

During the Year, the Audit Committee also performed the corporate governance functions delegated by the Board, reviewed the compliance with the regulatory rules under the Code on Corporate Governance Practices and the Corporate Governance Code, and laws and regulations, and reviewed the information disclosed in the Corporate Governance Report of the Company.

### – **Work evaluation and re-appointment of auditors**

The Audit Committee considered that Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants (Special General Partnership) appointed by the Company as the auditors of the Company for 2014 had good performance in terms of independence and objectivity, professional technical level, audit quality and efficiency of financial information disclosure, communication results with the management and the Audit Committee, etc. The Board was recommended to re-appoint the above institutions as the international and PRC auditors of the Company for the year 2015 respectively.

**Yu Haizong, Guo Yuanxi, Chen Weizheng**  
*Members of the Audit Committee*

26 March 2015

## 2. Strategic Committee

The Company established the Strategic Committee in March 2012. The major responsibilities of the Strategic Committee include the planning of the long-term development strategies of the Company; conducting research and submit proposals regarding material investment and financing plans, material capital operation and assets operation projects; conducting research and submit proposals regarding other material matters that may affect the Company's development; and carrying out examination on the implementation of the above matters, etc.

During the Year, the Strategic Committee carefully examined the progress of the Group's business in the "five major segments", and meticulously reviewed the progress reports of the works projects of Gaotan Water Park (高灘水體公園) in Renshou County, construction works of Tianfu Renshou Avenue as well as roads in Renshou Shigao Economic Development Zone of Tianfu New District (天府新區仁壽視高經濟開發區), and put forward recommendations concerning implementation of the projects according to their respective specific and actual conditions.

## 3. Nomination Committee

The Company established the Nomination Committee in March 2012. The major terms of reference of the Nomination Committee were specified to include: to formulate and review the diversified policy for members of the Board and carry out discussions and amendments to the policy concerned where it is needed and to disclose the reviewing conclusion in the Corporate Governance Report of the Company on a yearly basis; to give suggestions to the Board on the structure, composition and change of members of the Board according to the Company's actual situation; to study the selection criteria and procedures for Directors and managers, and give suggestions to the Board; to seek qualified candidates for Directors and managers in a broad scope, and nominate relevant candidates for Directors and management staff after selection, or to give opinions to the Board in this regard; to examine the candidates for Directors, managers and other senior management staff, and give suggestions to the Board; to assess the independence of independent non-executive Directors; to give suggestions to the Board on the appointment or re-appointment of Directors and the succession plan for Directors (especially Chairman of the Board and General Manager), etc.

During the Year, the Nomination Committee discussed and reviewed the Terms of Reference for the Nomination Committee; reviewed the relevant candidates based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge, and made recommendation for the appointment of Mr. Chen Weizheng as independent non-executive Director.

### 4. Remuneration and Appraisal Committee

The Company established the Remuneration and Appraisal Committee in March 2012. The Remuneration and Appraisal Committee has adopted the operation mode of performing the advisory role for the Board and the committee is responsible for reviewing the matters regarding remuneration, formulating remuneration policies and putting forward suggestions to the Board on the remuneration policies, formulating assessment standards for the Directors and senior management of the Company and conducted assessment, and reviewing and monitoring the training and continuing professional development of Directors and senior management members.

During the Year, the Remuneration and Appraisal Committee earnestly reviewed the proposed new service contracts in relation to the appointment of Mr. Chen Weizheng as independent non-executive Director of the Company, and submitted the proposed plan to the Board on the remunerations for him with reference to the market level and based on the actual situation of the Company and candidate. The Remuneration and Appraisal Committee also conducted assessment and evaluation on the operation performance and sustainable professional development of the executive Directors and the management of the Company for 2014.

## III. Supervisory Mechanism

### (I) Supervisory Committee

As at 31 December 2014, the Supervisory Committee of the Company comprises 6 Supervisors, and is the fifth session of the Supervisory Committee since establishment of the Company. The term of office of Supervisors commenced from 28 March 2013 or the date of election of the Supervisors. Composition of the Supervisory Committee of the Company are set out in Section VIII "Profile of Directors, Supervisors, Senior Management and Employees" of this annual report.

The Supervisory Committee exercises the independent power to supervise the Company pursuant to the laws to protect Shareholders, the Company and employees from violation of their lawful interests.

The size and composition of the Supervisory Committee are in compliance with the requirements of the laws and regulations. During the Year, the Supervisory Committee convened 5 meetings in total. All Supervisors attended each committee meeting, all of whom supervised, on behalf of the Shareholders, the Company's financial affairs as well as the legality and compliance of the duties performed by Directors and senior management, attended the meetings of the Board and general meetings as observers, and honestly performed the duties of the Supervisory Committee. The working details of the Supervisory Committee are set out in "Report of the Supervisory Committee" in this annual report.

## (II) Internal control

A comprehensive and practicable internal control system is a foundation for good corporate governance. The Board is responsible for the establishment and improvement of internal control of the Company for the purposes of reviewing the relevant control procedures of finance, operation and regulation so as to protect the Shareholders' interest and the Company's assets. The Board authorises the management to promote the internal control system and review its effectiveness through the Audit Committee. To more effectively review the operation and management of the Group and the effectiveness of its internal control system, responsibility scope of the supervision and audit department of the Company covers key internal audit areas such as the Company's operation, investment, corporate governance and financial management, etc. The work results of and opinions from the supervision and audit department are reported directly to the Supervisory Committee and the Audit Committee by the department manager for consideration, then the Supervisory Committee or the Audit Committee will make recommendations to the management of the Company and report to the Board in respect thereof.

In order to implement the "Basic Rules for Internal Control of Enterprises" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the Implementary Guideline for Enterprise Internal Control, and in light of the "Guidelines on Internal Control for Companies Listed on the SSE" by the SSE and the Code, the Company has launched the construction of corporate internal control system in an all-around way since the second half of 2010, further specifying the tasks and targets for the establishment and improvement of the internal control system, self-assessment and auditing. During the Reporting Period, all the main tasks progressed as scheduled, and the Company's internal control system was further strengthened. For details, please refer to "Establishment and improvement of the internal control system of the Company" in this section.

## (III) Auditors

The financial statements included in the 2014 Annual Report of the Company were prepared in accordance with the PRC Accounting Standards for Business Enterprises and the Hong Kong Financial Reporting Standards, respectively, and have been audited by Shinewing Certified Public Accountants(Special General Partnership) and Ernst & Young Certified Public Accountants respectively. The statements by the auditors on their reporting and auditing responsibilities for the financial statements are set out in the independent auditors' report contained in this annual report.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

The fees paid to the international and PRC auditors this Year are as follows:

Unit: RMB'000

Items	2014		2013	
	Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants	Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
Fees for audit/review of financial statements	640	1,810	590	1,710
Audit fee of internal control	200	—	200	—

Note: Save for the above fees, no other fees were paid by the Company this Year.

The Company appoints its auditors at general meetings and the auditors appointed by the Company shall hold office until conclusion of the next annual general meeting. To dismiss any auditor during its term of office shall be subject to the consideration and approval at general meetings. Currently, the Audit Committee has discussed and assessed the professional qualification of Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young Certified Public Accountants and the annual audit for 2014 performed by them, and raised opinions and recommendations in respect thereof. The Audit Committee's proposals to re-appoint Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants (Special General Partnership) as the Company's international and PRC auditors for 2015 respectively were approved by the Board and will be presented at the 2014 AGM for consideration and approval.

### (IV) Information disclosure and investor relations

#### Information disclosure

To disclose information in a true, accurate, timely and complete manner is not only the responsibility and obligation of listed companies, but also a channel of communication and understanding between a company and its investors and the public. On the principle of being open, just and fair, during the Reporting Period, the Company complied with the requirements under relevant laws and the Listing Rules of the SSE and the Stock Exchange and fulfilled its statutory disclosure obligations in an honest manner, so as to ensure that all Shareholders enjoy an equal and sufficient access to information and improve the transparency of the Company.

During the Reporting Period, the Company released 4 periodic reports and 57 announcements concerning A Shares and 61 announcements concerning H Shares pursuant to the Listing Rules of the SSE and the Stock Exchange. Announcements concerning A Shares were published on the websites of the SSE and the Company as well as in China Securities Journal and Shanghai Securities News, while those concerning H Shares were published on the websites of the Stock Exchange and the Company. Details of all these announcements are available for inspection on <http://www.sse.com.cn>, <http://www.hkex.com.hk> or the Company's website <http://www.cygs.com>.

## Investor relations

The Company's management has been attaching importance to proactive investor relations management and specifically established the Rules Governing Information Disclosure Matters and Work System of Investor Relations, etc., to regulate and optimize the Company's management of investor relations.

During the Reporting Period, on the basis of strictly discharging its obligations in respect of statutory information disclosure, the Company, on one hand, through various forms of investor relations activities, conveyed information to investors which they are concerned with, increased the transparency of the Company, and enhanced mutual understanding and trust, while on the other hand, in delivering information to investors, the Company listened to their advice and collected feedback from them, aiming to form an interactive and mutual beneficial relation between the Company and investors. When the Company conducts its investor relations work, the Board Office of the Company undertakes the specific responsibility for investor relations management mainly through: the investor hotline, e-mail and network interactive platform, responding to investors' inquiries in a timely manner; reception of investors and institutions engaged in securities analysis for field research; participating in large-scale investor presentations; hosting results presentations as well as domestic and overseas road shows; publishing information related to the Company's assets, traffic flow, toll income, information disclosure and corporate governance on the Company's website, etc.

## IV. Conclusion

Sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operation. More importantly, it fulfils the Company's internal development needs. The Company is committed to continuously enhancing its corporate governance standard. As a listed company with both A Shares and H Shares, we will continue to review and improve the Company's corporate governance practice from time to time in accordance with the regulatory systems in Shanghai and Hong Kong, market trend and feedback from investors to ensure steady development of the Company and continuous increase in Shareholders' value.

# REPORT OF THE DIRECTORS

The Board hereby present its report and the audited financial statements for the year ended 31 December 2014.

## Principal activities

The principal activities of the Company are investment in, construction, operation and management of Chengyu Expressway, Chengya Expressway and Chengren Expressway. Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Particulars of the expressways managed and operated by the Group as at 31 December 2014 are as follows:

	<b>Origin/destination</b>	<b>Approximate length</b>	<b>Date of commencement of operations of the entire toll expressway</b>
Chengyu Expressway	Chengdu/Shangjiapo	226km	1 July 1995
Chengya Expressway	Chengdu/Duiyan	144km	28 December 1999
Chengren Expressway	Jiangjia/Zhichanggou	106.613km	18 September 2012
Chengle Expressway	Qinglongchang/Guliba	86.44km	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10.35km	21 December 1998

## Results and dividends

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the audited financial statements on pages 92 to 188 herein.

Pursuant to the Articles of Association of the Company, if the Company distribute cash dividend, the Company shall distribute cash dividend in an amount not less than 30% of the distributable profit earned by the Company for the period concerned, based on the lower of the Company's profits determined under the following generally accepted accounting principles:

- the accounting principles and the relevant financial regulations applicable to enterprises established in the PRC ("PRC GAAP"); and
- Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong ("HK GAAP") and the disclosure requirements of the Hong Kong Companies Ordinance.

## REPORT OF THE DIRECTORS (CONTINUED)

The Board has recommended a final cash dividend for the year 2014 of RMB0.08 per share (tax inclusive), aggregating to approximately RMB244,645,000 and representing 44.35% of the distributable profit of the Company determined under PRC GAAP for the year and 25.24% of the profit attributable to owners of the Company as shown in the consolidated financial statements. The proposed dividend distribution is subject to the approval of the Shareholders at the Company's forthcoming 2014 AGM. If approved, the final dividend is expected to be paid on or around Monday, 15 June 2015 to the Shareholders whose names appear on the H Shares register of members of the Company on Tuesday, 9 June 2015 (the "Dividend Entitlement Date"). In respect of the arrangement in relation to the closures of H Shares register of members for the purposes of determining the Shareholders' entitlement to attend the 2014 AGM and to receive the proposed 2014 final dividend, please refer to the paragraph headed "CLOSURES OF REGISTER OF MEMBERS OF H SHARES" below.

This proposed final dividend has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

According to the Law on Corporate Income Tax of the People's Republic of China and its implementing rules which has come into effect since 1 January 2008 and other relevant rules, a PRC domestic enterprise which pays dividend to a non-resident enterprise Shareholder in respect of accounting period beginning from 1 January 2008 shall withhold and pay enterprise income tax at the rate of 10%. The Company, as a PRC domestic enterprise, is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise Shareholders as appearing on the H Shares register of members of the Company. Any Shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise Shareholders and therefore will be subject to the withholding of the corporate income tax by the Company.

Should the holders of H Shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in the PRC, Hong Kong and other countries (regions) on the possession and disposal of the H Shares.

Shareholders should read the information herein carefully. If anyone would like to change the identity of Shareholder, please enquire about the relevant procedures with the nominees or trustees. The Company is neither obligated nor responsible for ascertaining the identity of the Shareholders. In addition, the Company will withhold the corporate income tax in strict compliance with the relevant laws or regulations and strictly based on what has been registered on the Company's H Shares register of members as at the Dividend Entitlement Date. The Company will disregard and assume no liabilities for any requests or claims in relation to any delay or inaccuracy in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding of corporate income tax.

Shareholders are advised that the aforesaid arrangements are not applicable to the arrangements for distribution of the final dividend in respect of A Shares, which however will be published in a separate announcement at the SSE by the Company.

## REPORT OF THE DIRECTORS (CONTINUED)

### Summary financial information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
<b>RESULTS</b>					
PROFIT BEFORE TAX	<b>1,299,848</b>	1,309,936	1,439,828	1,565,020	1,366,236
Income tax expense	<b>(227,977)</b>	(229,226)	(228,917)	(245,978)	(210,131)
PROFIT FOR THE YEAR	<b>1,071,871</b>	1,080,710	1,210,911	1,319,042	1,156,105
Other comprehensive income for the year, net of tax	<b>30,170</b>	(5,656)	2,361	(12,592)	27,970
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,102,041</b>	1,075,054	1,213,272	1,306,450	1,184,075
<b>Profit attributable to:</b>					
Owners of the Company	<b>975,999</b>	1,015,142	1,180,931	1,304,163	1,145,274
Non-controlling interests	<b>95,872</b>	65,568	29,980	14,879	10,831
	<b>1,071,871</b>	1,080,710	1,210,911	1,319,042	1,156,105
<b>Total comprehensive income attributable to:</b>					
Owners of the Company	<b>1,006,169</b>	1,009,486	1,183,291	1,291,576	1,173,234
Non-controlling interests	<b>95,872</b>	65,568	29,981	14,874	10,841
	<b>1,102,041</b>	1,075,054	1,213,272	1,306,450	1,184,075

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
<b>TOTAL ASSETS</b>	<b>28,803,105</b>	23,989,082	19,336,400	16,754,726	11,897,333
<b>TOTAL LIABILITIES</b>	<b>(16,435,703)</b>	(12,458,441)	(8,889,974)	(7,247,450)	(3,473,336)
<b>NON-CONTROLLING INTERESTS</b>	<b>(601,375)</b>	(526,138)	(193,200)	(162,116)	(104,362)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>11,766,027</b>	11,004,503	10,253,226	9,345,160	8,319,635

# REPORT OF THE DIRECTORS (CONTINUED)

## Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 12 to the financial statements.

## Share capital

There were no movements in either the Company's authorised or issued share capital during the Year.

## Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

## Repurchase, redemption or sale of listed securities of the Company

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

## Reserves

Details of movements in the reserves of the Company and the Group during the Year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable reserves

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB2,971,633,000. The Company's distributable reserves as at 31 December 2014 determined under HK GAAP were lower than those determined under PRC GAAP. In addition, in accordance with the Company Law of the PRC, the Company's share premium account, in the amount of RMB2,654,601,000 may be distributed in the form of fully paid bonus shares.

## Major customers and suppliers

The five largest customers of the Group accounted for less than 30% of the total revenue of the Group during the Year. Purchases from the Group's five largest suppliers accounted for 35.50% of the total purchases for the year, and purchase from the largest supplier included therein amounted to 12.49%.



# REPORT OF THE DIRECTORS (*CONTINUED*)

## Directors and Supervisors

The Directors and the Supervisors of the Company during the year were:

### **Executive Directors:**

Mr. Zhou Liming (*Chairman*)  
Mr. Gan Yongyi (*Vice Chairman*)  
Mr. He Zhuqing

### **Non-executive Directors:**

Mr. Wu Xinhua (*Vice Chairman*)  
Mr. Tang Yong  
Mr. Huang Bin  
Mr. Wang Shuanming

### **Independent non-executive Directors:**

Mr. Sun Huibi  
Mr. Guo Yuanxi  
Mr. Fang Guijin (resigned on 28 May 2014)  
Mr. Chen Weizheng (appointed on 28 May 2014)  
Mr. Yu Haizong

### **Supervisors:**

Mr. Feng Bing  
Mr. Dan Yong  
Mr. Ouyang Huajie  
Mr. Lu Ning (resigned on 19 March 2014)  
Madam He Kun (appointed on 28 May 2014)  
Mr. Jian Shixi  
Madam Yang Jingfan

All the members of the Board and Supervisory Committee are appointed for a 3-year term from the date of approval at the first extraordinary general meeting where such appointments were considered and approved until expiry of the term of the fifth session of the Board and the Supervisory Committee on 28 March 2016.

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

## REPORT OF THE DIRECTORS (*CONTINUED*)

### **Directors', Supervisors' and senior management's biographies**

Biographical details of the Directors and the Supervisors of the Company and the senior management of the Group are set out under the section of "Profile of Directors, Supervisors, Senior Management and Employees" of the annual report.

### **Directors' service contracts**

Each of the Directors of the Company has entered into a service contract with the Company from their respective date of appointment for a term of three years.

None of the Directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **Directors' and Supervisors' interests in major contracts**

None of the Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

### **Directors', Supervisors' and chief executives' interests in shares and underlying shares**

As at 31 December 2014, none of the Directors, Supervisors and chief executives had any interest or short position in the shares and underlying shares of the Company or any of its associated corporations required to be registered pursuant to section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE DIRECTORS (CONTINUED)

### Substantial Shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2014, the following interests and short position of the shares and underlying shares of the Company held by shareholders or other persons were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

Name	Class of Shares	Long position/ Short position	Number of the Company's shares held	Approximate percentage in the total share capital of the Company	Approximate percentage in A/H Shares	Capacity
STI	A Shares	Long Position	975,060,078	31.88%	45.08%	Beneficial owner
	H Shares	Long Position	54,182,000	1.77%	6.05%	Beneficial owner
		Total:	1,029,242,078	33.66%	—	Beneficial owner
Huajian Company	A Shares	Long Position	664,487,376	21.73%	30.72%	Beneficial owner

Save as disclosed above, as at 31 December 2014, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### Directors' and Supervisors' interests in competing businesses

During the year and up to the date of this report, none of the Directors or Supervisors of the Company were considered to have any interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing of Securities on the Listing Rules.

## REPORT OF THE DIRECTORS (CONTINUED)

### Continuing connected transactions

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

- (a) On 1 February 2004, Chengle Company entered into a five year tenancy agreement (the "First Tenancy Agreement") with Sichuan Highway Development, whereby Sichuan Highway Development leased out a certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy agreement was extended for another five years when the First Tenancy Agreement expired on 31 January 2009 at an annual rental of RMB1,138,000. On 1 April 2013, the third tenancy agreement was signed between two parties for a lease term of five years expiring on 31 March 2018 at an annual rental of RMB799,000. During the Year, the rental paid by the Group to Sichuan Highway Development amounted to RMB799,000 (2013: RMB884,000).
- (b) On 24 December 2010, the Company and Sichuan Zhineng Transportation System Management Company Limited ("Zhineng Company"), a subsidiary of Sichuan Highway Development, entered into a service agreement, in relation to provision of a computer system on expressways network toll fee collection and technological services to the expressways of the Company, with a service charge of 0.4% of toll income for a term of 3 years from 1 January 2011 to 31 December 2013. On 11 December 2013, the Company renewed the service agreement for a term of 3 years from 1 January 2014 to 31 December 2016, with a service charge of 0.4% of toll income or RMB15,000,000 per annum, whichever is lower. During the Year, the Group paid a total of approximately RMB11,005,000 (2013: RMB10,387,000) to Zhineng Company as service fee.
- (c) On 1 October 2010, the Company entered into a one year tenancy agreement with STI whereby the Company leased out a certain part of its office buildings to STI at an annual rental of RMB2,035,000. The tenancy agreement was extended at the same annual rental for another one year when the first tenancy agreement expired on 1 October 2011, and was extended at RMB2,442,000 per annum for another one year since 1 October 2012. During the Year, the rental received from STI amounted to RMB2,442,000 (2013: RMB2,136,000).
- (d) On 17 October 2013, the Company, Trading Construction Company and STI entered into continuing connected transaction framework agreements, and had the following continuing connected transactions.

During the Year Trading Construction Company was engaged by the Group to undertake various construction work of expressways and ancillary facilities; daily maintenance work of expressways and ancillary facilities; emergency or rescue works of expressways and ancillary and municipal construction works. Construction revenue recognised during the Year amounted to RMB267,032,000, which was below the cap amount of RMB2,260,000,000.

During the Year, Trading Construction Company was engaged by STI Group to various construction work of expressways and ancillary facilities; daily maintenance work of expressways and ancillary facilities; emergency or rescue works of expressways. Construction revenue recognised during the Year amounted to RMB1,084,581,000, which was below the cap amount of RMB3,400,000,000.

During the Year, the Group purchased materials from STI Group, which included raw materials, machinery and electronic equipment for various infrastructure construction projects. Purchase amount recognised during the Year amounted to RMB90,154,000, which was below the cap amount of RMB800,000,000.

## REPORT OF THE DIRECTORS (CONTINUED)

As the Company expected the abovesaid agreements would expire on 31 December 2014, the Company, Trading Construction Company and STI renewed the said agreements on 31 October 2014 for the term commencing from 1 January 2015 to 31 December 2015. For details, please refer to the announcement and circular of the Company dated 31 October 2014 and 10 December 2014 respectively.

- (e) On 27 March 2014, Zhonglu Energy, a subsidiary of the Company, entered into the following continuing connected transactions in relation to the procurement of heavy crude oil, fuel, asphalt and refined oil and the provision of logistic services with PetroChina Company Limited Sichuan Oil Sales Branch ("PetroChina (Sichuan Oil Sales Branch)"), PetroChina Fuel Oil Company Limited Southwest Sales Branch ("PetroChina (Southwest Sales Branch)"), PetroChina Company Limited Sichuan Sales Branch ("PetroChina (Sichuan Sales Branch)"), CNPC Transportation Co., Ltd. Sichuan Branch ("CNPCT (Sichuan Branch)") and Trading Construction Company respectively:

Pursuant to the Heavy Oil & Fuel Agreement entered into between Zhonglu Energy and PetroChina (Sichuan Oil Sales Branch), Zhonglu Energy agreed to purchase heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch) for the period from 27 March 2014 to 31 December 2014. Purchase amount recognised during the Year approximate to RMB702,522,000, which was below cap amount of RMB1,500,000,000.

Pursuant to the Asphalt Agreement entered into between Zhonglu Energy and PetroChina (Southwest Sales Branch), Zhonglu Energy agreed to purchase asphalt from PetroChina (Southwest Sales Branch) for the period from 27 March 2014 to 31 December 2014. Purchase amount recognised during the Year approximate to RMB8,506,000, which was below cap amount of RMB260,000,000.

Pursuant to the Refined Oil Agreement entered into between Zhonglu Energy and PetroChina (Sichuan Sales Branch), Zhonglu Energy agreed to purchase refined oil from PetroChina (Sichuan Sales Branch) for the period from 27 March 2014 to 31 December 2014. Purchase amount recognised during the Year approximate to RMB943,463,000, which was below cap amount of RMB1,183,000,000.

Pursuant to the Refined Oil Carriage Agreement entered into between Zhonglu Energy and CNPCT (Sichuan Branch), CNPCT (Sichuan Branch) agreed to provide refined oil carriage service to Zhonglu Energy for the period from 27 March 2014 to 31 December 2014. Purchase amount recognised during the Year approximate to RMB5,311,000, which was below cap amount of RMB7,000,000.

Pursuant to the Materials Purchase Agreement entered into between Zhonglu Energy and Trading Construction Company, Zhonglu Energy agreed to sell petrochemicals such as asphalt and refined oil and other raw materials to Trading Construction Company and its subsidiaries for the period from 27 March 2014 to 31 December 2014. Sales amount recognised during the Year approximate to RMB15,553,000, which was below cap amount of RMB325,000,000.

## NON EXEMPT CONNECTED TRANSACTION

On 15 September 2014, Suiguang Suixi Company, a wholly-owned subsidiary of the Company, entered into the building construction agreement with Sichuan Expressway Construction Company Limited ("Expressway Construction Company"), pursuant to which the Company agreed to engage Expressway Construction Company as the contractor to undertake the construction project of Section SX-FJ1 of the building construction project of Suining-Xichong expressway at the consideration of RMB49,517,584. As at the date of the building construction agreement, Expressway Construction Company is a subsidiary controlled by Sichuan Highway Development Holding Company, which is in turn wholly-owned by STI, the controlling shareholder of the Company. As such, pursuant to Rule 14A.07(4) of the Listing Rules, Expressway Construction Company is a connected person of the Company and the transaction contemplated under the building construction agreement constitutes a connected transaction of the Company. For details, please refer to the announcement of the Company dated 15 September 2014.

Further details of the Group's connected transactions during the year are included in note 36 to the financial statements.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of businesses of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

## Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## Events after the reporting period

Details of significant events after the reporting period of the Group are set out in note 39 to the financial statements.



# REPORT OF THE DIRECTORS (CONTINUED)

## Auditors

Shine Wing Accountants (LLP) and Ernst & Young retire and a resolution for their reappointment as domestic and international auditors of the Company will be proposed at the forthcoming 2014 AGM.

## Closures of register of members of H Shares

For the purposes of determining the shareholders' entitlement to attend the 2014 AGM and to receive the 2014 final dividend, the H Shares register of members of the Company will be closed during the following periods:

(a) In respect of attending and voting at the 2014 AGM

Deadline for lodging transfer documents	4:30 p.m. on 28 April 2015 (Tuesday)
Closure period of the H Shares register of members	From 29 April 2015 (Wednesday) to 29 May 2015 (Friday) (both days inclusive)
Record date	29 May 2015 (Friday)
Date of the 2014 AGM	29 May 2015 (Friday)


(b) In respect of the entitlement to 2014 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 3 June 2015 (Wednesday)
Closure period of the H Shares register	From 4 June 2015 (Thursday) to 9 June 2015 (Tuesday) (both days inclusive)
Dividend Entitlement Date	9 June 2015 (Tuesday)

In order to be entitled to attend and vote at the 2014 AGM, and to receive the 2014 final dividend of the Company, H shares shareholders should ensure that all transfer documents, accompanied by the relevant share certificates are lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before the time above designated for lodging transfer documents.

Shareholders are advised that the Company will make a separate announcement on the Shanghai Stock Exchange in respect of details of the arrangements regarding the distribution of 2014 final dividend to A shares shareholders and details of A shares shareholders' eligibility for attending the 2014 AGM.

By order of the Board



**Zhou Liming**  
Chairman

Chengdu, Sichuan Province, the PRC  
26 March 2015

# PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. Basic Information of Directors, Supervisors, Senior Management and Employees for the Year

Name	Gender	Age	Length of services with the Company	Position during the Reporting Period	Total remuneration received from the Company for the Year (RMB0'000) (before tax)
Zhou Liming	Male	51	From September 2002 to present	Chairman	0.00
Gan Yongyi	Male	51	From March 2001 to present	Vice Chairman and General Manager	36.53
Wu Xinhua	Male	48	From May 2013 to present	Vice Chairman	0.00
Tang Yong	Male	50	From March 2007 to present	Director	0.00
Huang Bin	Male	47	From March 2013 to present	Director	0.00
Wang Shuanming	Male	55	From March 2007 to present	Director	0.00
He Zhuqing	Male	38	From December 2013 to present	Director and Deputy General Manager	32.94
Sun Huibi	Male	70	From March 2013 to present	Independent Non-executive Director	8.00
Guo Yuanxi	Male	64	From March 2013 to present	Independent Non-executive Director	8.00
Fang Guijin	Male	52	From March 2013 to May 2014	Independent Non-executive Director	3.33
Chen Weizheng	Male	64	From May 2014 to present	Independent Non-executive Director	4.67
Yu Haizong	Male	51	From March 2013 to present	Independent Non-executive Director	8.00
Feng Bing	Male	52	From June 2005 to present	Chairman of Supervisory Committee	35.84
Dan Yong	Male	45	From March 2013 to present	Supervisor	0.00
Ouyang Huajie	Male	46	From March 2007 to present	Supervisor	0.00
Lu Ning	Male	32	From December 2013 to March 2014	Supervisor	0.00
He Kun	Female	38	From May 2014 to present	Supervisor	0.00
Jian Shixi	Male	58	From August 1997 to present	Supervisor and Chairman of Labor Union	29.56
Yang Jingfan	Female	53	From March 2007 to present	Supervisor	29.86
Luo Maoquan	Male	49	From December 2006 to present	Deputy General Manager	23.05
Lin Binhai	Male	55	From August 2002 to present	Deputy Party Secretary	29.56
Liu Junjie	Male	50	From February 2009 to present	Deputy General Manager	29.56
Zhang Yongnian	Male	52	From August 1997 to present	Secretary to the Board	29.56
Pan Feng	Male	41	From October 2013 to present	Financial Controller	23.05

The remuneration of each Director, Supervisor and senior management was below HK\$1,000,000.

During the Reporting Period, none of the Directors, Supervisors and senior management of the Company held or dealt in the securities of the Company.

## II. Changes of Directors, Supervisors and Senior Management

On 18 March 2014, Mr. Fang Guijin resigned as an independent non-executive Director, Chairman of Remuneration and Appraisal Committee, members of Audit Committee and Strategic Committee of the Company due to his personal career commitments. In accordance with the relevant regulations of the Company Law, the Guiding Opinion on Establishment of Independent Director Systems by Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》) and the Articles of Association of the Company, Mr. Fang Guijin shall continue to perform relevant duties as an independent non-executive Director of the Company and special committees of the Board prior to the election of the new independent non-executive Director by the Company, and his resignation will only be effective upon the election of the new independent non-executive Director at the Company's general meeting.

Mr. Lu Ning resigned as a supervisor of the Company with effect from 19 March 2014 due to adjustment of his personal career commitments.

At the 2013 AGM held on 28 May 2014, Mr. Chen Weizheng was appointed as an independent non-executive Director of the fifth session of the Board of the Company, and was elected as members of Audit Committee, Strategic Committee and the Chairman of Remuneration and Appraisal Committee at the meeting of the Board and its special committees held on the same day. As mentioned above, Mr. Fang Guijin's resignation will be effective upon the appointment of Mr. Chen Weizheng; Ms. He Kun was appointed as a supervisor of the fifth session of the Supervisory Committee.

## III. Biographies of Directors, Supervisors and Senior Management

### (I) Biographies of incumbent Directors for the Year are as follows:

**Mr. Zhou Liming:** aged 51, graduated from Southwest Jiaotong University and obtained a bachelor degree in engineering from Southwest Jiaotong University and a master degree in economics from Sichuan University. He was a lecturer at Southwest Jiaotong University, and worked as the head of Research Department of the Sichuan Provincial People's Government, secretary of the Department of General Office of Sichuan Provincial People's Government, deputy director of Road Administration Bureau of Sichuan Provincial Department of Transportation ("SPDT"), assistant to the Mayor of the Neijiang Municipal People's Government in Sichuan Province, Chairman of the Company and the General Manager of Sichuan Highway Development. Mr. Zhou is currently a director of STI, a adjunct professor of Southwest Jiaotong University, and an executive Director and the Chairman of the fifth session of the Board of the Company.

**Mr. Gan Yongyi:** aged 51, graduated from Chongqing Jiaotong College with a bachelor degree majoring in civil engineering of road and bridge transportation. He is a senior engineer. He once worked in Division I and Division VI of Sichuan Bridge Engineering Company Limited (四川省橋樑工程公司) as deputy chief, chief of Division VI as well as the deputy manager of Sichuan Bridge Engineering Company Limited. He also served as the manager of the Bridge Branch of Sichuan Road and Bridge Group (四川路橋集團橋樑分公司), deputy general manager of Sichuan Road & Bridge Co., Ltd. and Deputy General Manager of the Company. Mr. Gan is currently an executive Director and Vice Chairman of the fifth session of the Board and the General Manager of the Company.

**Mr. Wu Xinhua:** aged 48, graduated from Renmin University of China. He was the manager of the securities department of CSG Holding Co., Ltd. (formerly known as "China Southern Glass Co., Ltd.", listed on the Shenzhen Stock Exchange), and an executive director and the general manager of the investment banking division of China Merchants Securities Co., Ltd. (listed on the Shanghai Stock Exchange). Mr. Wu had also served as a director or vice chairman of Fujian Expressway Development Co., Ltd. (listed on the SSE), Jiangsu Yangtze Bridge Co., Ltd. and Jiangsu Guangjing Xicheng Expressway Co., Ltd. He is an executive director and chief operating officer of China Merchants Holdings (Pacific) Limited (listed on the Singapore Exchange). He is currently the deputy general managers of Huajian Company and China Merchants Holdings (Pacific) Limited, and an director and vice president of Anhui Expressway Company Limited (listed on the Stock Exchange), and concurrently serves as the executive vice-president of Expressway Operations Management Branch of the China Highway and Transportation Society, and a non-executive Director and Vice Chairman of the fifth session of the Board of the Company.

**Mr. Tang Yong:** aged 50, graduated from Sichuan Transportation School and Highway College of Chang'an University with a master's degree in engineering. He is a professor-level senior engineer. He was a technician, assistant engineer, deputy section head, and section head of Road Maintenance Section of Dazhu County, Sichuan, deputy director of the Communications Department of Dazhu County, deputy director of the Communications Department of Dachuan District, Sichuan, director and general manager of Sichuan Road & Bridge Co., Ltd., general manager of Sichuan Dayu Expressway Construction Development Co., Ltd., head of the Construction Management Division of the SPDT, head of Comprehensive Planning Division of Sichuan Province, and Chairman of the Company. Currently, he is a director of STI, chairman of Sichuan Highway Development and a non-executive Director of the fifth session of the Board of the Company.

**Mr. Huang Bin:** aged 47, graduated from Southwest Jiaotong University with a bachelor degree in industrial and civil construction and from Southwest Finance University with a master's degree in business administration. He was deputy head of the Investment Division of Sichuan Development and Planning Committee; deputy head of the Division of Foreign Affairs and Foreign Economic Relations of Sichuan Development and Planning Committee; deputy head and head of the Division of Project Management and Coordination and head of the Division of Development Planning and Industrial Policy of Sichuan Development and Reform Committee; he is currently a director of STI and a non-executive Director of the fifth session of the Board of the Company.

**Mr. Wang Shuanming:** aged 55, successively graduated from Dongbei University of Finance and Economics and Military Economics Academy with a master degree, holds the title of senior accountant and certified public valuer. He was an assistant in the Finance Division of the Logistics Department of Chengdu Military Area, assistant accountant in the Second Military Warehouse of Chengdu Military Area, assistant accountant and accountant in the 38th Division of the Logistics Department of Chengdu Military Area, assistant researcher and deputy head of the Finance Division of SPDT, chief of the Management on Vehicle Purchase Surcharges Collection in Sichuan Province, and director and deputy general manager of Sichuan Highway Development. He is currently the chief economist of STI, and a non-executive Director of the fifth session of the Board of the Company.

**Mr. He Zhuqing:** aged 38, was graduated from Xi'an Jiaotong University with a doctoral degree in Management and was an associated researcher. Mr. He served in Changqing Petroleum Exploration Bureau (長慶石油勘探局) and Post-Doctoral Research Center of China Merchants Group (招商局集團博士後工作站). He currently serves as the general manager of Investment and Development Department of Huajian Company, a director of Hubei Chutian Expressway Company Limited (湖北楚天高速公路股份有限公司) (a company listed on the Shanghai Stock Exchange), and an executive Director of the fifth session of the Board and the General Manager of the Company.

**Mr. Sun Huibi:** aged 70, graduated from the Department of Electrical Engineering of Chongqing University majoring in electric power, holds the title of professor level senior engineer and is an expert entitled to government allowance from the State Council. He has successively served as a deputy head, head and other positions at the Electricity Bureau of Sichuan Province, the Economic Committee of Sichuan Province and the Planning Commission of Sichuan Province. He was the deputy general manager, general manager and president of Sichuan Engineering Consulting and Research Institute (formerly known as Sichuan International Engineering Consulting Company), head of Sichuan Engineering Consulting Association, member of Sichuan Advisory Group on Science and Technology and Chengdu Advisory Group on Science and Technology, and an independent director of Sichuan Xichang Electric Power Co., Ltd. (四川西昌電力股份有限公司) (a company listed on the Shanghai Stock Exchange). Mr. Sun is currently an independent non-executive Director of the fifth session of the Board of the Company.

**Mr. Guo Yuanxi:** aged 64, graduated from the Department of Economics of Sichuan University, an expert entitled to special government allowance from the State Council, an excellent expert with outstanding contributions, an academic and technology pioneer in Sichuan province, professor and doctoral supervisor. He was an assistant researcher, associate researcher, and researcher in the Institute of Economics under Sichuan Academy of Social Sciences, the deputy director and director of the Research Society for Economic System Reform (經濟體制改革研究所), managing deputy editor and director of the magazine "Reform of Economic System", advisor to the leading group for the enterprises reform pilot program of the provincial Party Committee and provincial government of Sichuan, a member of the steering group for PhD candidates in the College of Business Administration of Southwestern University of Finance and Economics, a member of the fifth standing committee of the Sichuan Association for Science and Technology, and deputy mayor of the People's Government of Deyang, Sichuan. He once served as an independent non-executive director of Chengdu People's Department (Group) Store Co., Ltd. (a company listed on the Shanghai Stock Exchange), Xinjiang Hops Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Wuliangye Yibin Co., Ltd. (a company listed on the Shenzhen Stock Exchange). Currently he is a professor, researcher and a doctoral supervisor of Southwestern University of Finance and Economics, and an independent non-executive director of Sichuan Looken Technology Co., Ltd. (四川老肯科技股份有限公司) and the fifth session of the Board of the Company.

**Mr. Chen Weizheng:** aged 64, graduated from University of Toronto, Canada, with a master's degree in business administration. He is an academic and technical leader in Sichuan Province. Mr. Chen has long been engaged in education and scientific research in respect of human resources management, organizational behavior, enterprise shareholding reform and corporate governance. He has undertaken various research projects in National Natural Science Funds, National Social Science Funds and Humanities and Social Sciences Funds of the Ministry of Education. Mr. Chen has published more than 30 kinds of monographs, translations and textbooks, as well as more than 100 theses. He had concurrently served as a distinguished professor in the training department of the State Economic and Trade Commission, guest researcher in the Asia Research Centre of York University, Canada, guest professor in the PRC MBA teaching school of the University of Wales, guest professor in the PRC MBA teaching school of the College of Business and Economics in the Australian National University, guest professor in the EMBA project of the Huazhong University of Science and Technology, guest professor in the EMBA project of Dalian University of Technology, guest professor in Ericsson (China) Management Academy, member of The International Institute of Management, founding member of the International Association for Chinese Management Research, advisor in the science and technology advisory group of the government of Sichuan Province. Mr. Chen has served as a professor in the Business School of Sichuan University, supervisor of the doctoral candidates in corporate organization and human resources management since 1999. Recently, he is in charge of various national research projects in relation to human resources management, organizational behavior and corporate governance, etc. He also undertakes the training of human resources management, organizational behavior and corporate governance in various companies.



**Mr. Yu Haizong:** aged 51, graduated from Southwestern University of Finance and Economics with a bachelor degree, a master degree in economics (accounting) and a doctoral degree in management (accounting). He is a certified public accountant in the PRC, a senior member of the Accounting Society of China, vice-president of Chengdu Real Estate and Accounting Association (成都房地產會計學會) and a member of the education committee under the Sichuan Institute of Certified Public Accountants. He once worked at the finance department of Sichuan Transic Iron & Steel Group (四川川威鋼鐵集團) and served as an independent non-executive director of Guoxing Rongda Real Estate Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Sichuan Jinyu Automobile City (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and Chengdu Hongqi Chain Co., Ltd. (a company listed on the Shenzhen Stock Exchange). He has been teaching in Southwestern University of Finance and Economics since 1993, and is currently a professor in the School of Accounting therein, as well as an independent non-executive director of Chengdu Tianxing Instrument and Meter Co., Ltd. (a company listed on the Shenzhen Stock Exchange), China Vanadium Titano-Magnetite Mining Company Limited (a company listed on the Stock Exchange), Sichuan Jiuzhou Electronic Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and the fifth session of the Board of the Company.

### (II) Biographies of incumbent Supervisors for the Year are as follows:

**Mr. Feng Bing:** aged 52, graduated from Xi'an Road College and obtained a bachelor degree majoring in automatic control in traffic engineering and from Chang'an University majoring in traffic and transportation planning and management with a master degree. He is a senior engineer. He had been the Party Secretary of the direct body under the SPDT, senior staff member and principal staff member of the Planning Division of the SPDT, and deputy head, investigator and head of the Overall Planning Division of the SPDT. He is currently an independent non-executive director of Jilin Expressway Company Limited (a company listed on the SSE) and the Chairman of the fifth session of the Supervisory Committee of the Company.

**Mr. Dan Yong:** aged 45, holder of bachelor degree of laws of the Department of Politics of Southwest Normal University and master degree in executive management of the University of Electronic Science and Technology of China. He had been the deputy head of the office of Highway Transport Management Bureau (during the term thereof he had been appointed deputy head of the Transportation Bureau of Muchuan County and vice-president of Muchuan Vocational Middle School), deputy head of Education Division, head of Science Education Division, head of Policy and Regulation Division, member of the bureau Sub-group of Party Committee, head of Disciplinary Section, deputy party secretary of the bureau, secretary to Discipline Committee of SPDT; office chief of Sichuan Transportation Investment Group Corporation, and the assistant to the general manager and head of the Party Community Working Department (Discipline Inspection and Supervision Office) of STI. He is currently the assistant to the general manager and head of the Investment and Development Department of STI and a Supervisor of the fifth session of the Supervisory Committee of the Company.

**Mr. Ouyang Huajie:** aged 46, graduated from the Accounting Department of Southwest Finance University majoring in accounting with a bachelor degree, and Sichuan University with a master degree in economics. He is a senior accountant. He had worked in state-owned Hongguang Electronic Tube Factory, Sichuan Tongya Industries Development Company, Sichuan Shuhai Communications Investment Company Limited and Sichuan Highway Development. He had been the deputy manager of the Fund and Finance Division, manager of the Fund and Finance Division, manager of the Finance Division and chief economist of Sichuan Highway Development. He is currently the head of Finance and Assets Division of STI and a Supervisor of the fifth session of the Supervisory Committee of the Company.

**Ms. He Kun,** aged 38, holds a bachelor's degree in accounting and a master's degree in economics from Renmin University of China. She is a certified public accountant (non-practicing). She has served as the project manager of the securities management department, planning and finance department and national capital trusteeship department of Huajian Transportation Economic Development Center\* (華建交通經濟開發中心) (now known as China Merchants Huajian Highway Investment Co., Ltd.\* (招商局華建公路投資有限公司)), project manager of the shareholding management No.2 department of China Merchants Huajian Highway Investment Co., Ltd.\* (招商局華建公路投資有限公司). Ms. He had concurrently served as directors in Shangdong Expressway Company Limited\* (山東高速公路股份有限公司) (listed on the Shanghai Stock Exchange) and Zhejiang Shangsang Expressway Co. Ltd.\* (浙江上三高速公路有限公司), and supervisors in Anhui Expressway Company Limited\* (安徽皖通高速公路股份有限公司) (listed on the Shanghai Stock Exchange and the Stock Exchange), Sichuan Expressway Company Limited\* (listed on the Shanghai Stock Exchange and the Stock Exchange), Hubei Chutian Expressway Company Limited\* (湖北楚天高速公路股份有限公司) (listed on the Shanghai Stock Exchange), Fujian Expressway Development Co., Ltd.\* (福建發展高速公路股份有限公司) (listed on the Shanghai Stock Exchange) and Jiangsu Ningjingyan Expressway Co., Ltd. (江蘇寧靖鹽高速公路股份有限公司). At present, she serves as the assistant to general manager in the corporate management department of China Merchants Huajian Highway Investment Co., Ltd.\* (招商局華建公路投資有限公司).

**Mr. Jian Shixi:** aged 58, graduated from Sichuan Provincial Party School majoring in economics and administration and is a senior economist. From 1986, he has been a principal staff member of the Policy Research Office of SPDT, deputy chief of Sichuan Major Highway Construction Directorate, office chief of the Expressway Administration Bureau of the SPDT. He is currently a Supervisor of the fifth session of the Supervisory Committee and the chairman of Labour Union of the Company.

**Ms Yang Jingfan:** aged 53, graduated from Business School of Sichuan University with an MBA degree and is a political worker (政工師). From 1991, she had been the deputy office chief of the Management Division of Sichuan Dajian Road, senior staff member of Sichuan Major Highway Construction Directorate, head of the Human Resources Division of the Expressway Administration Bureau of the SPDT, and manager of the human resource department of the Company. She is currently a Supervisor of the fifth session of the Supervisory Committee and the manager of Supervision and Auditing Department of the Company.

**(III) Biographies of other incumbent senior management for the Year are as follows:**

**Mr. Gan Yongyi**, please refer to the biographies of Directors.

**Mr. He Zhuqing**, please refer to the biographies of Directors.

**Mr. Luo Maoquan**: aged 49, graduated from the Faculty of Law of Sichuan University. He was an officer of the Policy Research Office of the SPDT, deputy office chief, chief, head of the human resources division, member of the sub-group of party committee, deputy director, secretary of the sub-group of party committee, commander of the Sichuan Chengmian (Ie) Expressway Construction Directorate. He is currently a Deputy General Manager of the Company.

**Mr. Lin Binhai**: aged 55, graduated from the Research Centre of Renmin University of China with an MBA degree and obtained an MBA degree from Burlington Commerce College by distance education. He holds the title of a senior political worker (高級政工師). He was a political commissar and party secretary of an arsenal factory of the People's Liberation Army. He is currently the deputy party secretary of the Company.

**Mr. Liu Junjie**: aged 50, graduated from Sichuan Suining Normal School, Northern Sichuan Education College (majoring in Biology) and the Department of Industrial Economics of Graduate School of Chinese Academy of Social Science. He holds a master's degree and the title of a senior political worker (高級政工師). He served as the deputy chief of the general section of the Committee Office of Ganzi Prefecture, deputy secretary, principal staff member and deputy director of the Committee Office of Aba Prefecture, director of the inspection division of the Committee of Aba Prefecture, deputy mayor of Xiangtang County, deputy secretary of the County Committee of Lixang County, deputy head of the Bureau of Water Resources of Aba Prefecture and deputy director of the Safety Supervision and Management Office of the SPDT. He is currently the Deputy General Manager of the Company.

**Mr. Zhang Yongnian**: aged 52, graduated from the Faculty of Law of Sichuan University. He served as judicial officer of the People's Court of Emeishan City, Sichuan Province, deputy chief of the Criminal Judicial Tribunal, deputy chief of the former Chengyu Expressway's Long Quan Management Office, deputy head of Road Section of Chengyu Expressway Management Office, deputy head of the Policy and Regulation Division of the Expressway Administration Bureau of the SPDT, the office chief of the board of directors of the Company, and a Director of the Company. He is currently the Secretary to the Board of the Company.

**Mr. Pan Feng**: aged 41, graduated from the Faculty of Mechanics of Nanjing University of Science and Technology with a degree of bachelor of engineering in machinery design and manufacture and from the School of Economics and Management of Sicuan University with a degree of master of economics in national economics; he is a senior economist. He once served a deputy manager and manager of the Finance Department of Sichuan Highway Development and a deputy head of Finance and Assets Division of STI. He is currently a Financial Controller of the Company.

**(IV) Biographies of Directors, Supervisors and other Senior Management retired or resigned during the Year are as follows:**

**Mr. Fang Guijin:** aged 52, graduated from Southwest Jiaotong University with a bachelor degree in transportation engineering, a master degree and a doctoral degree in transportation planning and management. He is among the first batch of registered consulting engineers in investment nationwide and a professor-level senior engineer. He once worked at Chongqing Iron & Steel Company Limited, and has served the Engineering Consulting Research Institute of Sichuan since 1988 as the deputy director and director of the energy and transportation project division and chief economist. He is currently the chief engineer of the Engineering Consulting Research Institute of Sichuan and an independent non-executive director of the fifth session of the Board of the Company.

**Mr. Lu Ning:** aged 32, was graduated from Chang'an University, majoring in electromechanical engineering with a postgraduate degree. Mr. Lu served in Guizhou Jinguan, Yunguan Highway Company Limited\* (貴州金關、雲關公路有限公司) and the department manager of China Merchants Asia Transportation Infrastructure Management (Shenzhen) Company Limited\* (招商局亞太交通基建管理(深圳)有限公司). He currently serves as the project manager of Operation and Management Department of Huajian Company, a deputy general manager of Jiangsu Yangtze Bridge Co., Ltd. and a Supervisor of the fifth session of the Supervisory Committee of the Company.

## IV. Employees

As at 31 December 2014, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,796
Number of in-service employees of major subsidiaries	1,767
Total number of in-service employees	4,563
Number of retired or resigned employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	Nil

### Composition by Expertise

Type of Expertise	Number of people
Production	3,194
Sales	88
Technical	502
Financial	137
Administrative	642
<b>Total</b>	<b>4,563</b>

### Educational Level

Type of Education Level	Number of people
Postgraduate	128
University graduate	947
Junior college graduate	1,729
Technical secondary school and below	1,759
<b>Total</b>	<b>4,563</b>

## **1. Employee's Remuneration**

The total remuneration of the Company's employees is correlated with the operating results of the Company. The wages of the employees are comprised of fixed wages (including basic salary, and salaries determined by the position and period of service) and performance incentive bonus. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. For the Year ended 31 December 2014, the employees' salary of the Group totaled approximately RMB330,522,000 (of which approximately RMB180,337,000 for the employees of the Company (including its branches)).

## **2. Employee's Insurance and Welfare**

The Company cherishes employees and protects their lawful interests. The Company has improved various types of social insurance for employees in strict compliance with all applicable PRC labour security policies. Expenses for various types of social insurances for retirement, healthcare, unemployment, work related injury, childbirth, catastrophic illness and accident have been paid in full by the Company for the employees. Meanwhile, the Company has made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

## **3. Staff Training**

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard of its staff. During the Reporting Period, the Company has organised various centralized and specific trainings such as job-specific skills for technicians and continuing education for professional technical staff. A total of 4,500 attendances of the Company's employees (including its branches) was recorded for the above training courses.



# REPORT OF THE SUPERVISORY COMMITTEE

During the Reporting Period, all members of the Supervisory Committee have strictly complied with the requirements of the Company Law of the People's Republic of China, the Listing Rules of the SSE and the Stock Exchange, the Articles of Association and the Rules of Procedure of the Supervisory Committee. Based on the principle of good faith, they performed their duties prudently and actively with an aim to safeguard the interest of the Shareholders, the Company and the employees.

## I. Work of the Supervisory Committee

During the Year, the Supervisory Committee held 5 meetings in total. The notices, convening, holding and resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles of Association. Details of the meetings are as follows:

Meeting of the Supervisory Committee	Meeting Date	Topics
The 7th Meeting of the fifth session of the Supervisory Committee	24 March 2014	1. Examining the resolution in relation to the exemption of performance of commitment of Sichuan Transportation Investment Group Corporation
The 8th Meeting of the fifth session of the Supervisory Committee	27 March 2014	1. Examining the resolution in relation to the 2013 Work Report of the Supervisory Committee; 2. Examining the resolution in relation to the Scheme of Profit Distribution and Dividend Payment for 2013; 3. Examining the resolution in relation to the 2013 Implementation Report of Financial Budget; 4. Examining the resolution in relation to the 2013 domestic and overseas annual reports and their summaries, etc.; 5. Examining the resolution in relation to the 2013 Internal Control Evaluation Report; 6. Examining the resolution in relation to the 2013 Social Responsibility Report; 7. Examining the resolution in relation to the 2014 Annual Financial Budget; 8. Examining the resolution in relation to the re-appointment of ShineWing Certified Public Accountants as the domestic auditor of the Company for the year 2014. 9. Examining the resolution in relation to the re-appointment of Ernst & Young Certified public Accountants as the international auditor of the Company for the year 2014. 10. Examining the resolution in relation to amendments to the Articles of Association; 11. Examining the resolution in relation to nomination of Ms. He Kun as the candidate for the supervisor of the fifth session of the Supervisory Committee and the proposed remuneration; 12. Examining the resolution in relation to entering into the Heavy Oil and Fuel Agreement between Zhonglu Energy and Sichuan Oil; 13. Examining the resolution in relation to entering into the Asphalt Agreement between Zhonglu Energy and Southwest Branch; 14. Examining the resolution in relation to entering into the Materials Purchase Agreement between Zhonglu Energy and Trading Construction Company; 15. Examining the resolution in relation to entering into the Refined Oil Agreement between Zhonglu Energy and PetroChina (Sichuan Sales Branch); 16. Examining the resolution in relation to entering into the PetroChina (Sichuan Sales Branch) between Zhonglu Energy and CNPCT (Sichuan Branch).

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

Meeting of the Supervisory Committee	Meeting Date	Topics
The 9th Meeting of the fifth session of the Supervisory Committee	29 April 2014	1. Examining the resolution in relation to the 2014 First Quarterly Report.
The 10th Meeting of the fifth session of the Supervisory Committee	28 August 2014	1. Examining the resolution in relation to the unaudited financial statements for the 6 months ended 30 June 2014, the 2014 interim report and its summary, etc.; 2. Examining the resolution in relation to the non-distribution of any interim dividend and not transferring capital reserve into share capital;
The 11th Meeting of the fifth session of the Supervisory Committee	30 October 2014	1. Examining the resolution in relation to the 2014 Third Quarterly Report; 2. Examining the resolution in relation to the Construction Framework Agreement entered into between Trading Construction Company and STI; 3. Examining the resolution in relation to the Construction Framework Agreement entered into between the Company and Trading Construction Company; 4. Examining the resolution in relation to the Purchase Framework Agreement entered into between the Company and STI; 5. Examining the resolution in relation to that if the Company satisfies the conditions for issuing the corporate bonds; 6. Examining the resolution in relation to scheme of issuance of corporate bonds;

During the Reporting Period, the members of the Supervisory Committee of the Company jointly implemented the function of supervision over the Company, actively cared for the Company's businesses and cautiously and diligently executed their respective responsibilities on the basis of guaranteeing the overall profits of the Company and safeguarding the interests of Shareholders, the Company and employees in a honest and kind manner.

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

In 2014, the attendance of the meetings of the fifth session of the Supervisory Committee and general meetings by the Supervisors is as follows:

Name of Supervisor	Attendance of meetings of the Supervisory Committee				Attendance of general meetings	
	Required attendance in the meetings of the Supervisory Committee during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Number of meeting/required attendance in the meetings	Number of attendance/number of meeting
Feng Bing	5	5	1	0	5/5	1/1
Dan Yong	5	5	1	0	5/5	1/1
Ouyang Huajie	5	5	1	0	5/5	1/1
Lu Ning (Resigned)	0	0	0	0	0/0	0/0
He Kun	2	2	0	0	2/2	1/1
Jian Shixi	5	5	1	0	5/5	1/1
Yang Jingfan	5	5	1	0	5/5	1/1

Number of meetings of the Supervisory Committee held during the Year	5
Of which: Number of physical meetings	4
Number of meetings held via communications	1
Number of meetings held by way of combination of both	0

During the Reporting Period, all Supervisors have attended the meetings of the Supervisory Committee of the Company with due care and diligence, and offered professional suggestions and independent judgments in respect of the material issues being discussed at the meetings by virtue of their expertise and experience.

## II. Independent opinions from the Supervisory Committee on compliance of the Company's operations with legal requirements

During the Reporting Period, the Supervisors of the Company attended all general meetings and Board meetings as observers and cautiously supervised and checked the convening procedures of the meetings, resolutions and execution of the written resolutions of aforesaid meetings, and effectively supervised the whole process of the Directors and senior management members' operation and management and the implementation of the Company's decisions.

The Supervisory Committee is of the opinion that the Company conducted its operations and made decisions strictly in accordance with relevant rules and regulations, continuously improved its internal control system and further enhanced its corporate governance. The Directors and senior management of the Company are able to perform their own duties and execute the resolutions and authorizations of the general meetings in compliance with relevant laws and regulations and with the attitude of fidelity and due diligence and from the perspective of safeguarding the interests of the Company and Shareholders as a whole, with no breach of laws and regulations, or conducts of misusing authority or damaging the interests of the Company, its Shareholders and employees.

### **III. Independent opinions from the Supervisory Committee on the Company's financial position**

Having cautiously reviewed the Company's 2014 First Quarterly Results Report, Interim Results Report, Third Quarterly Results Reports, Annual Results Report and other accounting information, etc, the Supervisory Committee is of the opinion that the Company's financial income and expenditure accounts are clear and the accounting, auditing and financial management are all in line with relevant regulations without doubts. The Company's PRC and international auditors, Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young Certified Public Accountants have respectively audited the 2014 Annual Financial Reports of the Company under the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, and have issued audit reports with standard unreserved opinions. The Supervisory Committee is of the view that the audit reports have reflected the actual situations of the Company's financial income and expenditure, operating results and cash flows.

### **IV. Independent opinions from the Supervisory Committee on the Board's Self-assessment Report on Internal Control**

In order to implement the "Basic Rules for Internal Control of Enterprises" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the implementary guidelines for corporate internal control, the Company fully and practically launched the construction of corporate internal control system since the second half of 2010. During the Reporting Period, all internal control tasks were carried out as scheduled and the internal control system of the Company was further improved. Through making self-assessment of the effectiveness of the design and implementation of the Company's internal control as at 31 December 2014, the Board had issued the 2014 Assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2014 Assessment Report on Internal Control issued by the Board, and considered that the report comprehensively and objectively reflected the establishment and operation of the Company's internal control system. The Company has established a relatively comprehensive internal control system and is continuously optimizing and enhancing it, and has kept the standard operation of the Company under good supervision and guidance.

### V. Independent opinions from the Supervisory Committee on the Company's connected transactions

Save for the connected transactions disclosed in note 36 to the financial statements, the Company had no other connected transactions during the Reporting Period. In the opinion of the Supervisory Committee, the Company's connected transactions during the Reporting Period were conducted on a just, fair and open basis and at reasonable considerations, and no circumstances were discovered in which insider transactions were involved or the Board breached the principle of good faith in decision-making, execution of agreements or information disclosure, etc.

The Supervisory Committee will continue to abide by its prudent and diligent practice, conscientiously implement the duties of the Supervisory Committee and protect the legal interests of Shareholders.

By Order of the Supervisory Committee



**Feng Bing**

*Chairman of the Supervisory Committee*

Chengdu, Sichuan, the PRC  
26 March 2015

# INDEPENDENT AUDITORS' REPORT



Ernst & Young  
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**To the shareholders of Sichuan Expressway Company Limited**  
*(Established in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Sichuan Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 92 to 188, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Directors' responsibility for the consolidated financial statements**

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



# INDEPENDENT AUDITORS' REPORT (*CONTINUED*)

## Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Ernst & Young**

*Certified Public Accountants*  
Hong Kong

26 March 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2014 RMB'000	2013 RMB'000
<b>REVENUE</b>	4,5	<b>9,420,153</b>	8,570,140
Cost of sales and other direct operating costs		<b>(7,555,189)</b>	(6,780,936)
Gross profit		<b>1,864,964</b>	1,789,204
Other income and gains	5	<b>124,059</b>	155,174
Administrative expenses		<b>(203,112)</b>	(170,867)
Other expenses		<b>(12,856)</b>	(24,560)
Finance costs	6	<b>(484,800)</b>	(450,609)
Share of profits and losses of:			
A joint venture		<b>(1,586)</b>	—
Associates		<b>13,179</b>	11,594
<b>PROFIT BEFORE TAX</b>	7	<b>1,299,848</b>	1,309,936
Income tax expense	9	<b>(227,977)</b>	(229,226)
<b>PROFIT FOR THE YEAR</b>		<b>1,071,871</b>	1,080,710
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments		<b>37,061</b>	(6,627)
Reclassification adjustments for gains included in profit or loss		<b>(17)</b>	(257)
Income tax effect		<b>(6,874)</b>	1,228
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>		<b>30,170</b>	(5,656)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,102,041</b>	1,075,054

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (*CONTINUED*)

	<i>Notes</i>	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Profit attributable to:			
Owners of the Company	10	<b>975,999</b>	1,015,142
Non-controlling interests		<b>95,872</b>	65,568
		<b>1,071,871</b>	1,080,710
Total comprehensive income attributable to:			
Owners of the Company		<b>1,006,169</b>	1,009,486
Non-controlling interests		<b>95,872</b>	65,568
		<b>1,102,041</b>	1,075,054
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
— Basic and diluted	11	<b>RMB0.319</b>	RMB0.332

Details of the dividends payable and proposed for the year are disclosed in note 33 to the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

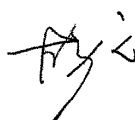
	Notes	2014 RMB'000	2013 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	609,414	612,204
Service concession arrangements	13	19,453,600	16,907,851
Prepaid land lease payments	14	410,664	442,717
Other intangible asset	15	1,830	2,329
Investment in a joint venture	17	3,414	—
Investments in associates	18	68,503	65,970
Available-for-sale investments	19	158,824	115,967
Long term compensation receivables	20	57,230	61,649
Payments in advance	21	8,284	30,051
Deferred tax assets	22	5,468	252
Interests in land held for property development	23	708,703	708,703
Pledged deposits	28	55,700	112,150
Total non-current assets		21,541,634	19,059,843
<b>CURRENT ASSETS</b>			
Properties under development	24	1,060,704	982,356
Inventories	25	78,340	82,613
Due from customers for contract works	26	203,640	71,069
Trade and other receivables	27	2,222,410	1,974,925
Pledged deposits	28	79,267	26,313
Cash and cash equivalents	28	3,617,110	1,791,963
Total current assets		7,261,471	4,929,239
<b>CURRENT LIABILITIES</b>			
Tax payable		141,485	123,217
Trade and other payables	29	3,189,569	2,425,160
Interest-bearing bank and other loans	30	2,000,275	1,203,909
Total current liabilities		5,331,329	3,752,286
<b>NET CURRENT ASSETS</b>		1,930,142	1,176,953
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		23,471,776	20,236,796

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	2014 RMB'000	2013 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other loans	30	<b>11,013,753</b>	8,685,504
Deferred tax liabilities	22	<b>8,401</b>	6,682
Deferred income	29	<b>82,220</b>	13,969
Total non-current liabilities		<b>11,104,374</b>	8,706,155
Net assets		<b>12,367,402</b>	11,530,641
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	31	<b>3,058,060</b>	3,058,060
Reserves	32	<b>8,463,322</b>	7,701,798
Proposed final dividend	33	<b>244,645</b>	244,645
		<b>11,766,027</b>	11,004,503
Non-controlling interests		<b>601,375</b>	526,138
Total equity		<b>12,367,402</b>	11,530,641



Director



Director

Year ended 31 December 2014

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Issued capital	Share premium account	Statutory surplus reserve	Difference arising from changes in non-controlling interests	Available-for-sale investment valuation reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31)		(note 32(c))			(note 32(b))	(note 32(c))						
At 1 January 2013	3,058,060	2,654,601	2,633,492	(248,470)	17,733	(533,123)	—	—	2,426,288	244,645	10,253,226	193,200	10,446,426
Profit for the year	—	—	—	—	—	—	—	—	1,015,142	—	1,015,142	65,568	1,080,710
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	(5,656)	—	—	—	—	—	(5,656)	—	(5,656)
Total comprehensive income for the year	—	—	—	—	(5,656)	—	—	—	1,015,142	—	1,009,486	65,568	1,075,054
Transfer from/(to) reserves	—	—	409,880	—	—	—	—	—	(409,880)	—	—	—	—
Establishment for safety fund surplus reserve	—	—	—	—	—	—	16,553	—	(16,553)	—	—	—	—
Utilisation of safety fund surplus reserve	—	—	—	—	—	—	(11,691)	—	11,691	—	—	—	—
Acquisition of a non-controlling interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(234)	(234)
Disposal of an equity interest in a subsidiary without a loss of control	—	—	—	(13,564)	—	—	—	—	—	—	(13,564)	276,529	262,965
Capital injection by a non-controlling shareholder	—	—	—	—	—	—	—	—	—	—	—	18,000	18,000
Capital injection to a subsidiary by way of capitalisation of retained profits and statutory surplus reserve	—	—	(12,615)	—	—	—	—	32,820	(20,205)	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(26,925)	(26,925)
Final 2012 dividend declared	—	—	—	—	—	—	—	—	—	(244,645)	(244,645)	—	(244,645)
Proposed final 2013 dividend (note 33)	—	—	—	—	—	—	—	—	(244,645)	244,645	—	—	—
At 31 December 2013	3,058,060	2,654,601*	3,030,757*	(262,034)*	12,077*	(533,123)*	4,862*	32,820*	2,761,838*	244,645	11,004,503	526,138	11,530,641



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company												
	Issued capital	Share premium account	Statutory surplus reserve	Difference arising from changes in non-controlling interests	Available-for-sale investment valuation reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31)		(note 32(c))			(note 32(b))	(note 32(c))						
At 1 January 2014	3,058,060	2,654,601	3,030,757	(262,034)	12,077	(533,123)	4,862	32,820	2,761,838	244,645	11,004,503	526,138	11,530,641
Profit for the year	-	-	-	-	-	-	-	-	975,999	-	975,999	95,872	1,071,871
Other comprehensive income for the year:													
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	30,170	-	-	-	-	-	30,170	-	30,170
Total comprehensive income for the year	-	-	-	-	30,170	-	-	-	975,999	-	1,006,169	95,872	1,102,041
Transfer from/(to) reserves	-	-	405,856	-	-	-	-	-	(405,856)	-	-	-	-
Establishment for safety fund surplus reserve	-	-	-	-	-	-	25,271	-	(25,271)	-	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	(18,486)	-	18,486	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(20,635)	(20,635)
Final 2013 dividend declared	-	-	-	-	-	-	-	-	-	(244,645)	(244,645)	-	(244,645)
Proposed final 2014 dividend (note 33)	-	-	-	-	-	-	-	-	(244,645)	244,645	-	-	-
At 31 December 2014	3,058,060	2,654,601*	3,436,613*	(262,034)*	42,247*	(533,123)*	11,647*	32,820*	3,080,551*	244,645	11,766,027	601,375	12,367,402

\* These reserve accounts comprise the consolidated reserves of RMB8,463,322,000 (2013: RMB7,701,798,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2014 RMB'000	2013 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>1,299,848</b>	1,309,936
Adjustments for:			
Finance costs	6	<b>484,800</b>	450,609
Share of profits and losses of a joint venture and associates		<b>(11,593)</b>	(11,594)
Depreciation	12	<b>67,720</b>	67,358
Amortisation of service concession arrangements	13	<b>450,086</b>	419,940
Amortisation of prepaid land lease payments	14	<b>32,053</b>	32,056
Amortisation of other intangible asset	15	<b>499</b>	166
Loss on disposal and write-off of items of property, plant and equipment	7	<b>3,645</b>	3,227
Loss on deemed disposal of available-for-sale investments	7	<b>42</b>	590
Gain on disposal of land use rights	5	<b>—</b>	(1,943)
Gain on disposal of items of service concession arrangements	5	<b>(41)</b>	—
Interest income	5	<b>(90,900)</b>	(116,480)
Dividend income from available-for-sale investments	5	<b>(13,122)</b>	(9,465)
		<b>2,223,037</b>	2,144,400
Additions to service concession arrangements		<b>(2,761,997)</b>	(3,119,811)
Additions to properties under development		<b>(77,653)</b>	(982,356)
Additions to interests in land held for property development		<b>—</b>	(708,703)
Proceeds from disposal of items of service concession arrangements		<b>145</b>	—
Decrease/(increase) in payments in advance		<b>16,767</b>	(21,094)
Increase in deferred income		<b>67,354</b>	13,969
Increase in amount due from customers for contract works		<b>(132,571)</b>	(14,314)
Increase in trade and other receivables		<b>(252,908)</b>	(29,582)
Decrease/(increase) in inventories		<b>4,273</b>	(44,493)
Increase in trade and other payables		<b>734,000</b>	568,625
Cash used in operations		<b>(179,553)</b>	(2,193,359)
Income tax paid		<b>(220,080)</b>	(311,274)
Interest received		<b>75,161</b>	42,137
Net cash flows used in operating activities		<b>(324,472)</b>	(2,462,496)

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Notes	2014 RMB'000	2013 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(66,931)	(64,538)
Acquisition of a subsidiary	(2,235)	(259)
Payment in advance in respect of investment in a joint venture	—	(5,000)
Purchase of available-for-sale investments	(5,857)	(45,000)
Proceeds from disposal of items of property, plant and equipment	1,127	226
Proceeds from disposal of land use rights	—	2,269
Interest received	22,813	36,995
Dividend received from an associate	10,646	14,950
Dividend received from available-for-sale investments	13,122	1,264
Proceeds from disposal of equity interest in a subsidiary without a loss of control	—	262,965
Decrease/(increase) of pledged deposits	3,496	(60,812)
Net cash flows from/(used in) investing activities	(23,819)	143,060
Net cash outflows before financing activities	(348,291)	(2,319,436)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(685,897)	(493,292)
Proceeds from bank loans	4,716,210	3,559,000
Repayment of bank loans	(1,938,686)	(1,183,000)
Proceeds from medium-term notes	300,000	600,000
Proceeds from other loans	63,000	84,547
Repayment of other loans	(15,909)	(22,728)
Dividends paid to owners of the Company	(244,645)	(244,645)
Dividends paid to non-controlling shareholders	(20,635)	(26,925)
Acquisition of non-controlling interests	—	(234)
Capital injection by a non-controlling shareholder	—	18,000
Net cash flows from financing activities	2,173,438	2,290,723

Year ended 31 December 2014

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	2014 RMB'000	2013 RMB'000
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,825,147</b>	(28,713)
Cash and cash equivalents at beginning of year		<b>1,791,963</b>	1,820,676
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>3,617,110</b>	1,791,963
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
	28		
Cash and bank balances		<b>3,566,552</b>	1,740,963
Non-pledged time deposits		<b>50,558</b>	51,000
Cash and cash equivalents as stated in the consolidated statement of financial position		<b>3,617,110</b>	1,791,963

# STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	<b>373,210</b>	386,805
Service concession arrangements	13	<b>12,028,368</b>	12,320,203
Prepaid land lease payments	14	<b>283,920</b>	305,721
Investments in subsidiaries	16	<b>3,459,046</b>	2,293,046
Due from subsidiaries	16	<b>2,364,865</b>	3,494,865
Investments in associates	18	<b>38,438</b>	38,438
Available-for-sale investments	19	<b>128,846</b>	99,118
Payments in advance	21	<b>2,000</b>	—
Deferred tax assets	22	<b>5,124</b>	—
Pledged deposits	28	<b>55,700</b>	112,150
Total non-current assets		<b>18,739,517</b>	19,050,346
<b>CURRENT ASSETS</b>			
Inventories	25	<b>197</b>	197
Prepayments, deposits and other receivables	27	<b>126,714</b>	69,847
Due from subsidiaries	16	<b>1,755,912</b>	1,371,610
Pledged deposits	28	<b>78,825</b>	21,783
Cash and cash equivalents	28	<b>1,427,077</b>	784,067
Total current assets		<b>3,388,725</b>	2,247,504
<b>CURRENT LIABILITIES</b>			
Tax payable		<b>77,625</b>	84,491
Other payables and accruals	29	<b>738,593</b>	852,763
Interest-bearing bank and other loans	30	<b>1,880,275</b>	695,909
Due to subsidiaries	16	<b>128,807</b>	128,465
Total current liabilities		<b>2,825,300</b>	1,761,628

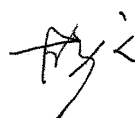
31 December 2014

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	2014 RMB'000	2013 RMB'000
<b>NET CURRENT ASSETS</b>		<b>563,425</b>	485,876
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>19,302,942</b>	19,536,222
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other loans	30	<b>7,503,706</b>	8,494,557
Deferred tax liabilities	22	—	1,270
Deferred income	29	<b>80,580</b>	13,969
Total non-current liabilities		<b>7,584,286</b>	8,509,796
Net assets		<b>11,718,656</b>	11,026,426
<b>EQUITY</b>			
Issued capital	31	<b>3,058,060</b>	3,058,060
Reserves	32	<b>8,415,951</b>	7,723,721
Proposed final dividend	33	<b>244,645</b>	244,645
Total equity		<b>11,718,656</b>	11,026,426



Director



Director

# NOTES TO FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Sichuan Expressway Company Limited (the "Company") is a limited liability company established in the People's Republic of China (the "PRC"). The registered office of the Company is located at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") were investment holding, the construction, management and operation of expressways and a high-grade toll bridge, operation of gas stations along expressways and property development.

In the opinion of the directors, Sichuan Transport Industry Investment Group Company Limited ("STI Group") is the parent and the ultimate holding company of the Company.

## 2.1 BASIS OF PREPARATION

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 accounting principles generally accepted in Hong Kong ("HK GAAP"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain available-for-sale equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expense and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2.1 BASIS OF PREPARATION (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition<sup>1</sup></i>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination<sup>1</sup></i>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

<sup>1</sup> Effective from 1 July 2014

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>2</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>5</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>3</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>2</sup>
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>5</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

## **2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (Continued)**

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (*Continued*)

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group.

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Investments in associates and joint ventures**

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates/joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of the associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and stated at cost less any impairment losses.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Business combinations and goodwill**

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Business combinations and goodwill** *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

#### *Merger accounting for business combinations under common control*

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

### **Fair value measurement**

The Group measures its available-for-sale investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Fair value measurement** *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	8 years
Buildings	15–30 years
Machinery and equipment	5–10 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the purchase price of equipment and direct costs of construction, installation and testing incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Service concession arrangements**

Service concession arrangements represent the rights to charge users of the public service, that the Group obtained under the service concession arrangements. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures such as repairs and maintenance are charged to profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

Amortisation of service concession arrangements, other than gas stations, is provided on a unit-of-usage basis to write off the costs of these arrangements, based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements.

Amortisation of gas stations that recognised as part of the underlying infrastructure of the service concession arrangements is provided on the straight-line basis to write off the costs of gas stations over the periods for which the Group is granted the rights to charge users under the service concession arrangements.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Costs incurred during the period of construction of underlying assets of a service concession arrangement are recorded in the service concession arrangement and will be amortised upon the commencement of operation of the service concession arrangement.

### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over lease terms.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Intangible assets other than goodwill**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

##### *Licence*

Cost which relate to the purchase of the construction related license is capitalised at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of fives years.

#### **Investments and other financial assets**

##### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses" for receivables.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Investments and other financial assets (Continued)**

#### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in "Other income and gains", or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in "Other expenses". Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as "Other income and gains" in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Impairment of financial assets (Continued)**

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Impairment of financial assets** *(Continued)*

##### *Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other loans.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Financial liabilities** *(Continued)*

#### **Subsequent measurement**

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Properties under development**

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees, payments for land use rights and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction of the relevant property development project is expected to complete beyond the normal operating cycle.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated cost to be incurred to completion and disposal.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

#### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in profit or loss.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Income tax** *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Income tax** *(Continued)*

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) toll income from operation of expressways and a high-grade toll bridge, net of related revenue taxes, on a receipt basis;
- (b) revenue from construction and upgrade services provided under the service concession arrangements, on the percentage of completion method, as further explained in the accounting policy for "Construction and upgrade services under service concession arrangements" below;
- (c) revenue from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;
- (d) rental income, on a time proportion basis over the lease terms;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (f) dividend income, when a shareholder's right to receive payment has been established.

## **2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(Continued)*

### **Construction and upgrade services under service concession arrangements**

The Group recognises income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with HKAS 11 *Construction Contracts*.

Revenue generated by construction and upgrade services rendered by the Group is measured at fair value of the consideration received or receivable. The consideration represents the rights to attain an intangible asset.

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Provision is made for foreseeable losses as soon as they are anticipated by management.

### **Construction contracts**

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to surveys of work performed or to the proportion of costs incurred to date to the estimated total cost of the relevant contract, as appropriate.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus a percentage of costs, measured by surveys of work performed.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.



## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Employee benefits**

##### *Defined contribution pension scheme*

As stipulated by the state regulations of the PRC, the Group participates in a defined contribution pension scheme. All retired employees are entitled to an annual pension equivalent to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to a local social security bureau at a rate of 20% of the employees' salaries or wages of the current year, up to an amount equivalent to three times the employees' average salaries of the prior year within the geographical area where the employees are employed. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

##### *Supplementary defined contribution pension scheme*

In addition, on 1 January 2007, a supplementary defined contribution pension scheme managed by an independent financial institution was established. Under the plan, the Group makes a monthly defined contribution to certain qualified employees at a rate of 5% of the qualified employees' salaries or wages of the prior year. There were no vested benefits attributable to past service upon the adoption of the plan. The contributions under the supplementary defined contribution pension scheme are charged to profit or loss as incurred.

##### *Housing fund*

According to the relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

##### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 2.72% has been applied to the expenditure on the individual assets.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

#### **Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### **Foreign currencies**

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (*Continued*)

#### Estimation uncertainty (*Continued*)

##### (a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed.

##### (b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### (c) Impairment of available-for-sale financial investments

The Group classifies certain assets as available for sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumption about the decline in value to determine whether there is an impairment that should be recognised to profit or loss. There was no impairment loss for available-for-sale investments during the year.

**3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)****Estimation uncertainty (Continued)****(d) Percentage of completion of construction and upgrade services provided under service concession arrangements and construction contracts**

The Group recognises income and expenses associated with construction and upgrade services provided under service concession arrangements and construction contracts in accordance with HKAS 11 Construction Contracts. The Group recognises construction revenue under service concession arrangements and construction contracts according to the percentage of completion of individual contract of construction and upgrade service work, which requires estimation to be made by management. The stage of completion and the corresponding contract revenue are estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contracts costs are more than expected, an impairment loss may arise.

During the year, the construction revenue and construction costs under service concession arrangements and construction contracts recognised by the Group amounted to RMB4,501,777,000 and RMB4,174,154,000 (2013: RMB3,838,978,000 and RMB3,550,998,000), respectively.

**(e) Amortisation of costs of service concession arrangements**

Amortisation of costs of service concession arrangements is calculated under the unit-of-usage method, whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements. The projected total traffic volume over the respective concession periods could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume. The carrying amount of service concession arrangements at 31 December 2014 was RMB19,453,600,000 (2013: RMB16,907,851,000).

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 3. SIGNIFICANT ACCOUNTING ESTIMATES (*Continued*)

#### Estimation uncertainty (*Continued*)

##### (f) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of property, plant and equipment at 31 December 2014 was RMB609,414,000 (2013: RMB612,204,000).

##### (g) Discounted value of long term compensation receivables

The discounted value of long term compensation receivables in the future have been discounted using an imputed rate of interest of 13.92% after taking into account the risk premium associated with the credit risk incurred. The use of the discounted rate requires the Group to make estimates about the imputed rate of interest, and hence it is subject to uncertainty. The net present value of long term receivables at 31 December 2014 was RMB61,649,000 (2013: RMB65,527,000). Further details are included in note 20 to the financial statements.

##### (h) PRC corporate income tax ("CIT")

The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the income tax expenses and tax provisions in the period in which the differences are realised. The carrying amount of the PRC CIT payable at 31 December 2014 was RMB141,485,000 (2013: RMB123,217,000).

##### (i) Provision for maintenance and resurfacing obligations

The Group has contractual obligations under the service concessions to maintain the toll road infrastructure to a specified level of service ability. The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to the obligation.

There was no provision for maintenance and resurfacing obligations at 31 December 2014 (2013: Nil).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors (the "Board") of the Company that makes strategic decisions. For management purposes, the Group is organised into business units based on their services and products and has five (2013: five) reportable operating segments as follows:

- (a) the toll operation segment comprises the operation of expressways and a high-grade toll bridge in Mainland China;
- (b) the construction contracts segment comprises the provision of construction and upgrade services under the service concession arrangements and construction contracts;
- (c) the gas station operation segment comprises the operation of gas stations along expressways;
- (d) the property development segment comprises the investment and development of properties located in Mainland China; and
- (e) the "others" segment mainly comprises advertising and the rental of properties along expressways.

The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, dividend income and other unallocated income and gains, as well as head office, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and available-for-sale investments as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	Toll operation RMB'000	Construction contracts RMB'000	Gas station operation RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b>	<b>2,671,233</b>	<b>4,396,081</b>	<b>2,302,019</b>	<b>–</b>	<b>50,820</b>	<b>9,420,153</b>
<b>SEGMENT RESULTS</b>	<b>1,152,857</b>	<b>268,387</b>	<b>91,945</b>	<b>(107,588)</b>	<b>17,495</b>	<b>1,423,096</b>
<b>Reconciliation:</b>						
Interest income on bank deposits						27,736
Dividend income and unallocated income and gains						33,159
Corporate and thermocautery expenses						(184,143)
Profit before tax						1,299,848
<b>SEGMENT ASSETS</b>	<b>20,570,107</b>	<b>2,383,723</b>	<b>124,184</b>	<b>1,774,642</b>	<b>34,080</b>	<b>24,886,736</b>
<b>Reconciliation:</b>						
Available-for-sale investments						158,824
Deferred tax assets						5,468
Pledged deposits						134,967
Cash and cash equivalents						3,617,110
Total assets						28,803,105
<b>SEGMENT LIABILITIES</b>	<b>13,338,844</b>	<b>2,714,923</b>	<b>23,420</b>	<b>177,993</b>	<b>30,637</b>	<b>16,285,817</b>
<b>Reconciliation:</b>						
Tax payable						141,485
Deferred tax liabilities						8,401
Total liabilities						16,435,703
<b>OTHER SEGMENT INFORMATION</b>						
Share of profits and losses of associates	13,179	–	–	–	–	13,179
Share of losses of a joint venture	–	–	–	–	(1,586)	(1,586)
Depreciation and amortisation	531,615	11,964	4,457	427	1,895	550,358
Investments in associates	64,053	–	–	–	4,450	68,503
Investment in a joint venture	–	–	–	–	3,414	3,414
Capital expenditure*	3,009,398	25,092	25,823	716	4,612	3,065,641



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 4. OPERATING SEGMENT INFORMATION (Continued)

## Year ended 31 December 2013

	Toll operation RMB'000	Construction contracts RMB'000	Gas station operation RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b>	2,526,878	3,761,510	2,247,392	—	34,360	8,570,140
<b>SEGMENT RESULTS</b>	1,141,220	238,769	66,766	(35,668)	8,650	1,419,737
<b>Reconciliation:</b>						
Interest income on bank deposits						24,469
Dividend income and unallocated income and gains						39,284
Corporate and other unallocated expenses						(173,554)
Profit before tax						1,309,936
<b>SEGMENT ASSETS</b>	18,042,709	1,813,587	364,806	1,688,771	32,564	21,942,437
<b>Reconciliation:</b>						
Available-for-sale investments						115,967
Deferred tax assets						252
Pledged deposits						138,463
Cash and cash equivalents						1,791,963
Total assets						23,989,082
<b>SEGMENT LIABILITIES</b>	9,822,152	2,108,998	279,198	86,958	31,236	12,328,542
<b>Reconciliation:</b>						
Tax payable						123,217
Deferred tax liabilities						6,682
Total liabilities						12,458,441
<b>OTHER SEGMENT INFORMATION</b>						
Share of profits and losses of associates	11,594	—	—	—	—	11,594
Depreciation and amortisation	506,156	9,691	2,401	91	1,181	519,520
Investments in associates	61,520	—	—	—	4,450	65,970
Capital expenditure*	3,197,504	18,706	15,064	2,466	6,988	3,240,728

\* Capital expenditure consists of additions to service concession arrangements, property, plant and equipment and other intangible asset.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. OPERATING SEGMENT INFORMATION (Continued)

#### Entity-wide disclosures

##### *Geographical information*

The Group is domiciled in Mainland China. All external revenues of the Group are generated in Mainland China. The Group's non-current assets are all located in Mainland China. Thus, no geographic information is presented.

##### *Information about major customers*

Revenue of approximately RMB1,084,581,000 which accounted for more than 10% of the Group's revenue during the year ended 31 December 2014 was derived from providing construction services to a single customer, including sales to a group of entities which are known to be under common control with that customer. During the year ended 31 December 2013, no revenue derived from a customer amounted to 10% or more of the Group's total revenue.

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
<b>Revenue</b>		
Toll income		
– Chengyu Expressway	<b>835,794</b>	968,456
– Chengya Expressway	<b>788,160</b>	681,170
– Chengle Expressway	<b>464,233</b>	414,419
– Chengren Expressway	<b>585,988</b>	465,916
– Chengbei Exit Expressway and Qinglongchang Bridge	<b>91,693</b>	86,180
	<b>2,765,868</b>	2,616,141
Less: Revenue taxes	<b>(94,635)</b>	(89,263)
Sub-total	<b>2,671,233</b>	2,526,878

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

	2014 RMB'000	2013 RMB'000
Construction revenue in respect of:		
– Service concession arrangements	2,995,939	3,191,552
– Construction and maintenance works performed for other parties	1,505,838	647,426
	<b>4,501,777</b>	3,838,978
Less: Revenue taxes	<b>(105,696)</b>	(77,468)
Sub-total	<b>4,396,081</b>	3,761,510
Revenue from operation of gas stations	<b>2,302,019</b>	2,247,392
Others (including income from rental and advertising)	<b>50,820</b>	34,360
Total revenue	<b>9,420,153</b>	8,570,140
<b>Other income and gains</b>		
Interest income from bank deposits	<b>27,736</b>	24,469
Interest income from discounting long-term compensation receivables (note 20)	<b>9,121</b>	9,595
Interest income from construction contracts	<b>45,204</b>	76,096
Interest income from overdue trade receivables and bidding deposits	<b>8,839</b>	6,320
Gain on disposal of land use rights	–	1,943
Gain on disposal of items of service concession arrangements	<b>41</b>	–
Rental income	<b>4,176</b>	4,167
Government grants*	<b>452</b>	185
Dividend income from available-for-sale investments	<b>13,122</b>	9,465
Compensation	<b>9,229</b>	17,754
Reversal of bad debt provision	<b>2,334</b>	–
Miscellaneous	<b>3,805</b>	5,180
	<b>124,059</b>	155,174
Total revenue, other income and gains	<b>9,544,212</b>	8,725,314

\* There were no unfulfilled conditions or contingencies relating to these grants.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Interest on bank and other loans wholly repayable within five years	<b>379,624</b>	450,092
Interest on bank and other loans	<b>266,010</b>	6,481
Interest on medium-term notes	<b>73,803</b>	65,777
	<b>719,437</b>	522,350
Less: Interest capitalised in respect of:		
— Service concession arrangements ( <i>note 13(c)</i> )	<b>(233,942)</b>	(71,741)
— Properties under development	<b>(695)</b>	—
	<b>484,800</b>	450,609
Interest rate of borrowing costs capitalised	<b>5.24%–6.55%</b>	5.26%–6.43%

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2014 RMB'000	2013 RMB'000
Employee costs (including directors', chief executive's and supervisors' remuneration (note 8)):			
Wages and salaries		<b>334,667</b>	298,278
Pension scheme contributions			
– Defined contribution fund		<b>54,750</b>	46,404
Housing funds			
– Defined contribution fund		<b>33,101</b>	27,428
Supplementary pension scheme			
– Defined contribution fund		<b>24,816</b>	23,629
Other staff benefits		<b>85,531</b>	72,910
		<b>532,865</b>	468,649
Depreciation	12	<b>67,720</b>	67,358
Amortisation of service concession arrangements	13	<b>450,086</b>	419,940
Amortisation of prepaid land lease payments	14	<b>32,053</b>	32,056
Amortisation of other intangible asset	15	<b>499</b>	166
Depreciation and amortisation expenses		<b>550,358</b>	519,520
Repairs and maintenance		<b>216,837</b>	157,547
Construction costs in respect of:			
– Service concession arrangements*		<b>2,799,958</b>	2,999,442
– Construction works performed for other parties*		<b>1,374,196</b>	551,556
Cost of sales of refined oil and chemical products		<b>2,181,572</b>	2,161,428
Minimum lease payments under operating leases:			
– Land and buildings		<b>28,036</b>	22,152
Auditors' remuneration		<b>2,650</b>	2,500
Loss on disposal and write-off of items of property, plant and equipment		<b>3,645</b>	3,227
Gain on disposal of land use rights		–	(1,943)
Gain on disposal of items of service concession arrangements		<b>(41)</b>	–
Loss on deemed disposal of available-for-sale investments		<b>42</b>	590
Reversal of provision for impairment of other receivables		<b>(2,334)</b>	–

\* During the year, employee costs of RMB87,188,000 (2013: RMB63,244,000) and depreciation charges of RMB9,385,000 (2013: RMB6,949,000) were included in those construction costs.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Fees	<b>320</b>	300
Other emoluments:		
Salaries, allowances and benefits in kind	<b>1,801</b>	1,897
Pension scheme contributions	<b>116</b>	104
Supplementary pension scheme contributions	<b>71</b>	73
	<b>1,988</b>	2,074
	<b>2,308</b>	2,374

#### (1) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Mr. Sun Huibi	<b>80</b>	60
Mr. Guo Yuanxi	<b>80</b>	60
Mr. Fang Guijin	<b>33</b>	60
Mr. Yu Haizong	<b>80</b>	60
Mr. Chen Weizheng	<b>47</b>	—
Madam Luo Xia	—	15
Mr. Feng Jian	—	15
Mr. Zhao Zesong	—	15
Mr. Xie Bangzhu	—	15
	<b>320</b>	300

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

#### (2) Executive, non-executive directors and the chief executive

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total RMB'000
<b>2014</b>				
<b>Executive directors:</b>				
Mr. Zhou Liming	—	—	—	—
Mr. He Zhuqing	329	—	—	329
Mr. Gan Yongyi*	404	29	20	453
	<b>733</b>	<b>29</b>	<b>20</b>	<b>782</b>
<b>Non-executive directors:</b>				
Mr. Tang Yong	—	—	—	—
Mr. Huang Bin	—	—	—	—
Mr. Wang Shuanming	—	—	—	—
Mr. Wu Xinhua	—	—	—	—
	—	—	—	—
	<b>733</b>	<b>29</b>	<b>20</b>	<b>782</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(Continued)

#### (2) Executive, non-executive directors and the chief executive

(Continued)

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total RMB'000
<b>2013</b>				
<b>Executive directors:</b>				
Mr. Zhou Liming	—	—	—	—
Mr. Liu Mingli	22	—	—	22
Mr. He Zhuqing	110	—	—	110
Mr. Gan Yongyi	441	26	21	488
	573	26	21	620
<b>Non-executive directors:</b>				
Mr. Zhang Zhiying	32	—	—	32
Madam Zhang Yang	32	—	—	32
Mr. Tang Yong	32	—	—	32
Mr. Huang Bin	—	—	—	—
Mr. Gao Chun	32	—	—	32
Mr. Wang Shuanming	32	—	—	32
Mr. Wu Xinhua	—	—	—	—
Madam Hu Yu	32	—	—	32
	192	—	—	192
	765	26	21	812

\* Mr. Gan Yongyi who acts as an executive director of the Company is also the general manager of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

#### (3) Supervisors

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total RMB'000
<b>2014</b>				
Mr. Feng Bing	397	29	20	446
Mr. Ouyang Huajie	—	—	—	—
Mr. Jian Shixi	334	29	16	379
Madam Yang Jinfan	337	29	15	381
Madam He Kun	—	—	—	—
Mr. Lu Ning	—	—	—	—
Mr. Dan Yong	—	—	—	—
	<b>1,068</b>	<b>87</b>	<b>51</b>	<b>1,206</b>
<b>2013</b>				
Mr. Feng Bing	441	26	21	488
Mr. Hou Bin	—	—	—	—
Mr. Ouyang Huajie	—	—	—	—
Mr. Jian Shixi	363	26	17	406
Madam Yang Jinfan	328	26	14	368
Madam Zhou Wei	—	—	—	—
Mr. Lu Ning	—	—	—	—
Mr. Dan Yong	—	—	—	—
Mr. Dong Zhi	—	—	—	—
	1,132	78	52	1,262

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

- (4) The five highest paid employees during the year included one director (2013: one) and two supervisors (2013: two), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2013: two) highest paid employees who are not director, chief executive, or supervisor of the Company are as follows:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Salaries, allowances and benefits in kind	<b>668</b>	726
Pension scheme contributions	<b>92</b>	84
	<b>760</b>	810

Remuneration of the above non-director, non-chief executive and non-supervisor highest paid employees during the year and the prior year was below HK\$1,000,000.

During the year, several directors and supervisors resigned and several new directors and supervisors were appointed, details of which are set out in Section "Directors and Supervisors" in the directors' report of the Company.

In addition to the amounts disclosed above, one executive director (2013: one), four non-executive directors (2013: two) and four supervisors (2013: six) did not receive any remuneration from the Company in 2014. They are respectively the senior executives and directors of STI Group, Sichuan Highway Development Company Limited ("Sichuan Highway Development") which is also controlled by STI Group, and China Merchants Huajian Highway Investment Co., Ltd. which holds a 21.73% interest in the Company. In the opinion of the directors, it is not practicable to apportion these amounts between their services as directors and supervisors of the Company and their services as senior executives and directors of the above companies.

### 9. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the two years ended 31 December 2014.

Except for the companies discussed below that are entitled to a preferential tax rate, other subsidiaries, associates and joint venture of the Company are required to pay CIT at the standard rate of 25%.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. INCOME TAX (Continued)

Pursuant to the "Announcement of the State Administration of Taxation [2012] No. 12" dated 6 April 2012 issued by the PRC State Administration of Taxation, enterprises in encouraged industries that are established in the western region are able to enjoy a preferential tax rate of 15% from 2011 to 2020. The Group has referred to Guiding Catalog for Adjustment in the Industrial Structure (2011 Version) (Revised) (產業結構調整指導目錄(2011年本)(修正)) issued by the National Development and Reform Commission of the People's Republic of China, and concluded that the transportation industry fell within the encouraged industry. For subsidiaries within the scope of the transportation industry, i.e., the Company, Sichuan Chengle Expressway Company Limited ("Chengle Company") and Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company") and Chengdu Airport Expressway Company Limited, an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012 and have not changed their business operations, income tax expenses of these entities for the year ended 31 December 2014 continued to be calculated at a tax rate of 15%.

The major components of tax expense for the year are as follows:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Current – Mainland China		
Charge for the year	<b>247,882</b>	229,010
Underprovision/(over provision) in prior years	<b>(9,534)</b>	621
Deferred (note 22)	<b>(10,371)</b>	(405)
<b>Total tax charge for the year</b>	<b>227,977</b>	229,226

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rates for companies within the Group to the tax expense at the Group's effective tax rate, is as follows:

<i>Notes</i>	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Profit before tax	<b>1,299,848</b>	1,309,936
Tax at applicable tax rates of:		
25%	<b>41,623</b>	57,638
15%	<b>170,003</b>	161,908
Sub-total	<b>211,626</b>	219,546
Income not subject to tax	<b>(2,486)</b>	(3,535)
Expenses not deductible for tax	<b>484</b>	10,855
Adjustments in respect of current tax of prior years	<b>(9,534)</b>	621
Profit attributable to associates	<b>1,580</b>	1,739
Tax losses not recognised	<b>15,518</b>	—
Tax effect from intra-group interest income	<b>10,789</b>	—
Tax charge at the Group's effective tax rate	<b>227,977</b>	229,226

Notes:

- (a) On 21 May 2014, Sichuan Trading Construction Engineering Co., Ltd. ("TCC") obtained the approval from local tax bureau, which confirmed it was eligible to enjoy the preferential tax rate of 15% under the Western Development Policy by reference to the Catalogue as its eligible revenue has exceeded 70% of its total revenue during 2013. During the year, the directors of the Company considered the eligible revenue derived by Trading Construction Company has not exceeded 70% of its total revenue, and the provision of income tax expenses of TCC during the year is calculated at the rate of 25%.
- (b) The share of tax attributable to associates amounting to RMB2,379,000 (2013: RMB2,015,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss and other comprehensive income.

### 10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of RMB691,397,000 (2013: RMB693,929,000), excluding dividend income from subsidiaries and an associate, which has been dealt with in the financial statements of the Company.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company, and the number of ordinary shares of 3,058,060,000 (2013: 3,058,060,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

### 12. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>								
<b>Cost:</b>								
At 1 January 2014	668,377	189,029	176,035	526,229	195,144	111,841	4,775	1,871,430
Additions during the year	6,027	450	22,752	2,080	22,273	11,306	4,814	69,702
Disposals and write-offs	(4,610)	(141)	(1,812)	(1,774)	(1,099)	(4,882)	(2,224)	(16,542)
Transfer	-	-	4,232	-	1,443	-	(5,675)	-
At 31 December 2014	669,794	189,338	201,207	526,535	217,761	118,265	1,690	1,924,590
<b>Accumulated depreciation:</b>								
At 1 January 2014	630,062	155,655	132,397	184,461	108,532	48,119	-	1,259,226
Provided during the year	2,990	4,901	10,797	23,420	15,294	10,318	-	67,720
Disposals and write-offs	(4,470)	(140)	(1,651)	(1,065)	(750)	(3,694)	-	(11,770)
At 31 December 2014	628,582	160,416	141,543	206,816	123,076	54,743	-	1,315,176
<b>Net carrying amount:</b>								
At 1 January 2014	38,315	33,374	43,638	341,768	86,612	63,722	4,775	612,204
At 31 December 2014	41,212	28,922	59,664	319,719	94,685	63,522	1,690	609,414

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Group

	Safety equipment RMB'000	Communication and signalling systems RMB'000	Toll collection equipment RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2013</b>								
<b>Cost:</b>								
At 1 January 2013	664,797	193,130	175,058	526,218	203,151	97,713	3,729	1,863,796
Additions during the year	6,134	1,401	4,214	3,058	11,187	19,641	1,046	46,681
Disposals and write-offs	(2,554)	(5,502)	(3,237)	(3,047)	(19,451)	(5,256)	–	(39,047)
Reclassification	–	–	–	–	257	(257)	–	–
At 31 December 2013	668,377	189,029	176,035	526,229	195,144	111,841	4,775	1,871,430
<b>Accumulated depreciation:</b>								
At 1 January 2013	628,481	153,968	125,194	164,064	111,636	44,119	–	1,227,462
Provided during the year	4,206	6,814	10,132	21,759	15,420	9,027	–	67,358
Disposals and write-offs	(2,625)	(5,127)	(2,929)	(1,362)	(18,563)	(4,988)	–	(35,594)
Reclassification	–	–	–	–	39	(39)	–	–
At 31 December 2013	630,062	155,655	132,397	184,461	108,532	48,119	–	1,259,226
<b>Net carrying amount:</b>								
At 1 January 2013	36,316	39,162	49,864	362,154	91,515	53,594	3,729	636,334
At 31 December 2013	38,315	33,374	43,638	341,768	86,612	63,722	4,775	612,204

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

## Company

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2014</b>								
<b>Cost:</b>								
At 1 January 2014	425,210	147,598	130,239	348,214	81,858	51,357	3,912	1,188,388
Additions during the year	1,311	450	22,463	1,214	4,541	855	2,088	32,922
Disposals and write-offs	(59)	(144)	(1,811)	(1,774)	(1,029)	(2,353)	(2,224)	(9,394)
Transfer	-	-	643	-	1,443	-	(2,086)	-
At 31 December 2014	426,462	147,904	151,534	347,654	86,813	49,859	1,690	1,211,916
<b>Accumulated depreciation:</b>								
At 1 January 2014	400,415	120,831	95,910	113,835	47,967	22,625	-	801,583
Provided during the year	2,109	4,114	8,981	15,607	7,026	4,153	-	41,990
Disposals and write-offs	(57)	(140)	(1,653)	(1,066)	(711)	(1,240)	-	(4,867)
At 31 December 2014	402,467	124,805	103,238	128,376	54,282	25,538	-	838,706
<b>Net carrying amount:</b>								
At 1 January 2014	24,795	26,767	34,329	234,379	33,891	28,732	3,912	386,805
At 31 December 2014	23,995	23,099	48,296	219,278	32,531	24,321	1,690	373,210

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

#### Company

	Safety equipment RMB'000	Communication and signalling systems RMB'000	Toll collection equipment RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2013</b>								
<b>Cost:</b>								
At 1 January 2013	427,711	151,989	130,541	351,261	98,006	52,022	2,598	1,214,128
Additions during the year	53	1,111	2,862	–	3,027	4,287	1,314	12,654
Disposals and write-offs	(2,554)	(5,502)	(3,164)	(3,047)	(19,175)	(4,952)	–	(38,394)
At 31 December 2013	425,210	147,598	130,239	348,214	81,858	51,357	3,912	1,188,388
<b>Accumulated depreciation:</b>								
At 1 January 2013	400,770	122,280	90,537	100,659	58,404	23,070	–	795,720
Provided during the year	2,270	3,678	8,301	14,538	7,858	4,054	–	40,699
Disposals and write-offs	(2,625)	(5,127)	(2,928)	(1,362)	(18,295)	(4,499)	–	(34,836)
At 31 December 2013	400,415	120,831	95,910	113,835	47,967	22,625	–	801,583
<b>Net carrying amount:</b>								
At 1 January 2013	26,941	29,709	40,004	250,602	39,602	28,952	2,598	418,408
At 31 December 2013	24,795	26,767	34,329	234,379	33,891	28,732	3,912	386,805



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 13. SERVICE CONCESSION ARRANGEMENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Cost:</b>				
At 1 January	<b>20,094,441</b>	16,902,889	<b>14,933,689</b>	14,787,385
Additions	<b>2,995,939</b>	3,191,552	<b>89,070</b>	146,304
Disposals	<b>(143)</b>	—	<b>—</b>	—
At 31 December	<b>23,090,237</b>	20,094,441	<b>15,022,759</b>	14,933,689
<b>Accumulated amortisation:</b>				
At 1 January	<b>3,186,590</b>	2,766,650	<b>2,613,486</b>	2,258,442
Charged for the year	<b>450,086</b>	419,940	<b>380,905</b>	355,044
Disposals	<b>(39)</b>	—	<b>—</b>	—
At 31 December	<b>3,636,637</b>	3,186,590	<b>2,994,391</b>	2,613,486
<b>Net carrying amount:</b>				
At 1 January	<b>16,907,851</b>	14,136,239	<b>12,320,203</b>	12,528,943
At 31 December	<b>19,453,600</b>	16,907,851	<b>12,028,368</b>	12,320,203

- (a) At 31 December 2014, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 30(a)):

	2014 RMB'000	2013 RMB'000
Chengren Expressway	<b>7,406,562</b>	7,453,127
Chengle Expressway	<b>1,056,545</b>	1,102,194
Chengbei Exit Expressway	<b>—</b>	138,793
Chengya Expressway	<b>2,253,127</b>	2,408,484
	<b>10,716,234</b>	11,102,598

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 13. SERVICE CONCESSION ARRANGEMENTS (Continued)

- (b) During the year, the Group was in the construction of Suining-Guang'an Expressway and Suining-Xichong Expressway (the "Suiguang-Suixi Expressways BOT Project") in the form of Build-Operate-Transfer ("BOT") mode. During the year ended 31 December 2014, total construction costs of RMB2,686,832,000 (2013: RMB2,832,337,000) were incurred, among which RMB1,253,462,000 (2013: RMB1,387,839,000) was sub-contracted to third party subcontractors.

In addition, during the year ended 31 December 2014, construction revenue of RMB2,881,848,000 (2013: RMB3,022,488,000) was recognised in respect of the construction service provided by the Group using the percentage of completion method during the year. Construction revenue was included in the additions to service concession arrangements which will be amortised upon the commencement of operation of the respective expressways.

At 31 December 2014, the future concession rights to collect toll income from Suiguang-Suixi Expressways with a net carrying amount of RMB6,124,254,000 (2013: Not applicable) was pledged to secure the bank loans amounting to RMB3,256,100,000 (2013: Nil).

- (c) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB233,942,000 (2013: RMB71,741,000) (note 6).

### 14. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	<b>474,791</b>	507,173	<b>327,523</b>	349,324
Recognised during the year	<b>(32,053)</b>	(32,056)	<b>(21,801)</b>	(21,801)
Disposal	—	(326)	—	—
Carrying amount at 31 December	<b>442,738</b>	474,791	<b>305,722</b>	327,523
Portion classified as current assets (note 27(d))	<b>(32,074)</b>	(32,074)	<b>(21,802)</b>	(21,802)
Non-current portion	<b>410,664</b>	442,717	<b>283,920</b>	305,721

Prepaid land lease payments represent the costs of land use rights in respect of the Group's leasehold land situated in Sichuan Province, the PRC, which are held under medium-term leases.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 15. OTHER INTANGIBLE ASSET

#### Group

	<b>Licence</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Cost:</b>		
At 1 January	<b>2,495</b>	—
Acquisition of a subsidiary	<b>—</b>	2,495
At 31 December	<b>2,495</b>	2,495
<b>Accumulated amortisation:</b>		
At 1 January	<b>166</b>	—
Provided for the year	<b>499</b>	166
At 31 December	<b>665</b>	166
<b>Net carrying amount:</b>		
At 1 January	<b>2,329</b>	—
At 31 December	<b>1,830</b>	2,329

### 16. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Unlisted investments, at cost	<b>3,459,046</b>	2,293,046
Amounts due from subsidiaries are repayable:		
On demand or within 1 year	<b>1,755,912</b>	1,371,610
Over 1 year	<b>2,364,865</b>	3,494,865
	<b>4,120,777</b>	4,866,475

As at 31 December 2014, except for RMB3,483,865,000 (2013: RMB4,316,877,000) due from subsidiaries that bore interest at annual rates ranging from 5.50% to 6.51% (2013: 5.26% to 6.51%), the remaining amounts due from subsidiaries were interest-free. All amounts due from subsidiaries were unsecured.

The amounts due to subsidiaries included in the Company's current liabilities as at 31 December 2014 and 2013 were unsecured, interest-free and repayable on demand.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 16. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries, which were established in the PRC as limited liability companies and operate in Mainland China, are as follows:

Name	Nominal value of issued/registered capital RMB'000	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
Chengle Company	560,790	100	—	Construction and operation of Chengle Expressway
Chengbei Company	220,000	60	—	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Chengdu Shuhai Investment Management Company Limited	200,000	100	—	Investment holding
TCC	500,000	51	—	Repair and maintenance of expressways construction of roads, and expressways
Sichuan Shusha Enterprise Company Limited	30,000	100	—	Provision of ancillary services and property development
Sichuan Shunan Investment Management Company Limited	200,000	100	—	Construction project management
Sichuan Suiguangsuixi Expressway Company Limited	180,000	100	—	Construction and operation of Suiguang-Suixi Expressways
Sichuan Chengya Expressway Oil Supply Company Limited	27,200	51	—	Management of gas stations along expressways
Renshou Trading Landmark Company Limited ("Renshou Landmark")	200,000	91	—	Property development
Sichuan Shurui Construction Engineering Co., Ltd. (Formerly known as Sichuan ChengZhiTongSheng Construction Engineering Co., Ltd.)	20,000	100	—	Construction of properties
Sichuan Chengyu Expressway Advertising Company Limited	1,000	—	60	Design and production of advertisements
Sichuan Shugong Road Construction Engineering Testing Company Limited	30,000	—	100	Provision of road, bridge and tunnel inspection services
Sichuan Zhonglu Energy Company Limited	52,000	—	51	Management of gas stations along expressways
Chengdu Shuhong Property Company Limited	100,000	—	100	Construction project management
Renshou Shunan Investment Management Company Limited	100,000	—	100	Construction project management

None of the subsidiaries has material non-controlling interests.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 17. INVESTMENT IN A JOINT VENTURE

	<b>Group 2014 RMB'000</b>
Unlisted investments, share of net assets	3,414

Particulars of the indirectly held joint venture by the Company, which was established in the PRC as a limited liability company and operates in Mainland China, are as follows:

<b>Name</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Sichuan Zhongxin Assets Management Company Limited	50	Assets management

### 18. INVESTMENTS IN ASSOCIATES

	<b>Group</b>		<b>Company</b>	
	<b>2014 RMB'000</b>	2013 RMB'000	<b>2014 RMB'000</b>	2013 RMB'000
Unlisted shares, at cost:	—	—	<b>38,438</b>	38,438
Share of net assets	<b>77,666</b>	75,133	—	—
Provision for impairment	<b>(9,163)</b>	(9,163)	—	—
	<b>68,503</b>	65,970	<b>38,438</b>	38,438

Particulars of the associates of the Group, which were established in the PRC as limited liability companies and operate in Mainland China, are as follows:

<b>Name</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Chengdu Airport Expressway Company Limited	25	Operation of Chengdu Airport Expressway
Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited	20	Development and sale of high-tech products
Chengdu Stone Elephant Lake Communication Restaurant Company Limited	32.4	Provision of accommodation, meeting reception and entertainment services

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 18. INVESTMENTS IN ASSOCIATES (Continued)

None of the above associates is audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for Chengdu Airport Expressway Company Limited, the shareholding in which is held through a subsidiary of the Company.

None of the above associates is individually material.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Share of the associates' profit and losses, and total comprehensive income and losses for the year	<b>13,179</b>	11,594
Aggregate carrying amount of the Group's investments in the associates	<b>68,503</b>	65,970

### 19. AVAILABLE-FOR-SALE INVESTMENTS

	<b>Group</b>		<b>Company</b>	
	<b>2014</b> <b>RMB'000</b>	2013 RMB'000	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Listed equity investment, at fair value:				
Mainland China	<b>81,467</b>	44,467	<b>52,559</b>	28,688
Unlisted equity investments, at cost	<b>77,357</b>	71,500	<b>76,287</b>	70,430
	<b>158,824</b>	115,967	<b>128,846</b>	99,118

During the year, the gross profit in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB37,061,000 (2013: gross loss of RMB6,627,000), of which RMB17,000 (2013: RMB257,000) was reclassified from other comprehensive income to profit or loss for the year.

The above investments consisted of investments in equity securities which are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The unlisted equity investments represent the Group's investments in enterprises domiciled in Mainland China. They are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 20. LONG-TERM COMPENSATION RECEIVABLES

Pursuant to a compensation agreement dated 29 December 2006 entered into among the Xindu District Finance Bureau and the Communications Bureau (collectively Xindu District Government, "XDG"), Chengdu Municipal Committee of Communication ("CMCC") and Chengbei Company, a subsidiary of the Company, on 30 December 2006, Chengbei Company disposed of the operating rights of Dajian Road to XDG for a compensation of RMB211,802,000.

The compensation is satisfied by cash on the following salient terms:

- An annual instalment of RMB13 million is paid by XDG to Chengbei Company by 30 June of every year for 16 years from 2007 till 2022 and a final instalment of RMB3,802,100 by 30 June 2023;
- CMCC, an authorised representative of the Chengdu Municipal Government responsible for the financing of XDG, guaranteed the payment of annual instalments. In the event of default in payment, CMCC agrees that it will deduct the default amount from the annual finance funds allocated to XDG and pay it to Chengbei Company directly; and
- Additional compound interest at a rate of 0.021% per day should be levied on the delay in payment.

The compensation can be analysed as follows:

	2014			2013		
	Compensation RMB'000	Imputed interest RMB'000	Net present value RMB'000	Compensation RMB'000	Imputed interest RMB'000	Net present value RMB'000
Receivables:						
Within one year	13,000	8,581	4,419	13,000	9,121	3,879
In the second to fifth years, inclusive	52,000	27,258	24,742	52,000	30,281	21,719
Beyond five years	42,802	10,314	32,488	55,802	15,873	39,929
	<b>107,802</b>	<b>46,153</b>	<b>61,649</b>	120,802	55,275	65,527
Portion classified as current assets (note 27 (b))			(4,419)			(3,878)
Non-current portion			<b>57,230</b>			61,649

As the compensation is paid by instalments over 17 years, the Group calculated the discounted value of the compensation receivables in future using an imputed rate of interest of 13.92% per annum. The imputed rate of interest adopted reflects risk premium accounted for after considering the credit risk incurred due to the fact that the compensation is paid over 17 years.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 21. PAYMENTS IN ADVANCE

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
In respect of:				
Suiguang-Suixi Expressways BOT Project	5,929	22,977	—	—
Purchase of land use rights	2,355	—	2,000	—
Upgrading projects along existing expressways	—	2,074	—	—
Investment in a joint venture	—	5,000	—	—
	<b>8,284</b>	30,051	<b>2,000</b>	—

### 22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

#### Deferred tax assets

##### Group

	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	187	155	342
Deferred tax credited/(charged)to profit or loss during the year (note 9)	(21)	97	76
At 31 December 2013 and 1 January 2014	166	252	418
Deferred tax credited to profit or loss during the year (note 9)	9,978	92	10,070
At 31 December 2014	10,144	344	10,488



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****22. DEFERRED TAX (Continued)****Deferred tax assets (Continued)****Company**

	Deferred income RMB'000
At 1 January 2013	187
Deferred tax charged to profit or loss during the year	(22)
At 31 December 2013 and 1 January 2014	165
Deferred tax credited to profit or loss during the year	9,979
At 31 December 2014	10,144

The Group also has tax losses arising in Mainland China of RMB62,072,000 (2013: Nil) that will expire in four to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 22. DEFERRED TAX (Continued)

#### Deferred tax liabilities

##### Group

	Fair value adjustment arising from available- for-sale investments RMB'000	Accelerated amortisation for tax purposes RMB'000	Total RMB'000
At 1 January 2013	4,039	4,366	8,405
Deferred tax credited to profit or loss during the year (note 9)	(60)	(269)	(329)
Deferred tax credited to reserves during the year	(1,228)	—	(1,228)
At 31 December 2013 and 1 January 2014	2,751	4,097	6,848
Deferred tax credited to profit or loss during the year (note 9)	(3)	(298)	(301)
Deferred tax charged to reserves during the year	6,874	—	6,874
At 31 December 2014	9,622	3,799	13,421

##### Company

	Fair value adjustment arising from available- for-sale investments RMB'000
At 1 January 2013	2,108
Deferred tax credited to profit or loss during the year	(29)
Deferred tax credited to reserves during the year	(644)
At 31 December 2013 and 1 January 2014	1,435
Deferred tax credited to profit or loss during the year	(2)
Deferred tax charged to reserves during the year	3,587
At 31 December 2014	5,020

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 22. DEFERRED TAX (Continued)

For the purpose of the consolidated statement of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group and the Company for reporting purposes:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Gross deferred tax assets	10,488	252	10,144	—
Gross deferred tax liabilities	(5,020)	—	(5,020)	—
Net deferred tax assets	5,468	252	5,124	—
Gross deferred tax assets	—	(166)	—	(165)
Gross deferred tax liabilities	8,401	6,848	—	1,435
Net deferred tax liabilities	8,401	6,682	—	1,270

### Withholding tax (“WHT”) for dividends paid to foreign investors

Pursuant to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation, where the Company declares a dividend in or after 2008 and beyond out of the cumulative retained profits as of 31 December 2007 (i.e., 2007 retained profits), these dividends earned by the foreign shareholders are exempted from WHT; For a dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign shareholders. Pursuant to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from 1 January 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. The Company has fulfilled the obligation of WHT for dividends related to 2013 which was paid to foreign shareholders until 31 December 2014.

### 23. INTERESTS IN LAND HELD FOR PROPERTY DEVELOPMENT

The Group's interests in land use rights for property development were in respect of prepayment for the rights to use certain land situated in Mainland China over fixed periods and held under medium-term leases. As at 31 December 2014, the legal title of the land use rights with a carrying amount of approximately RMB700,740,000 (31 December 2013: RMB700,740,000) that the Group acquired has not been transferred to the Group and relevant title transfer is still under application. The directors of the Company do not foresee any major obstacles to complete the title transfer of the legal title of the above mentioned land use rights to the Group.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 24. PROPERTIES UNDER DEVELOPMENT

	<b>Group</b>	
	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Land costs	<b>966,630</b>	966,630
Development costs	<b>94,074</b>	15,726
	<b>1,060,704</b>	982,356

The Group's properties under development are situated on leasehold land in Mainland China, which are held under medium-term and long-term leases. As at 31 December 2014, properties under development were expected to be completed within the normal operating cycle and recovered after one year.

### 25. INVENTORIES

	<b>Group</b>		<b>Company</b>	
	<b>2014</b> <b>RMB'000</b>	2013 RMB'000	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Refined oil products	<b>19,595</b>	28,711	—	—
Spare parts and construction materials	<b>58,745</b>	53,902	<b>197</b>	197
	<b>78,340</b>	82,613	<b>197</b>	197

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 26. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2014 RMB'000	2013 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	<b>1,264,527</b>	222,653
Less: Progress billings	<b>(1,060,887)</b>	(151,584)
Construction contracts in progress	<b>203,640</b>	71,069
<b>Representing:</b>		
Amount due from customers for contract works	<b>237,149</b>	71,069
Amount due to a customer for contract works	<b>(6,509)</b>	—
	<b>203,640</b>	71,069

At 31 December 2014, retentions held by customers for contract works included in the Group's trade receivables amounted to approximately RMB86,493,000 (2013: RMB20,121,000).

### 27. TRADE AND OTHER RECEIVABLES

	Notes	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Trade receivables</b>					
Trade receivables		<b>1,742,008</b>	1,453,898	—	—
Impairment		—	—	—	—
Trade receivables, net	(a)	<b>1,742,008</b>	1,453,898	—	—
<b>Other receivables</b>					
Other receivables	(b)	<b>344,644</b>	490,418	<b>111,161</b>	53,445
Impairment		<b>(110,437)</b>	(112,771)	<b>(29,342)</b>	(30,321)
		<b>234,207</b>	377,647	<b>81,819</b>	23,124
Deposits	(c)	<b>161,199</b>	57,805	<b>20,000</b>	20,000
Prepayments	(d)	<b>84,996</b>	85,575	<b>24,895</b>	26,723
Other receivables, net		<b>480,402</b>	521,027	<b>126,714</b>	69,847
Total trade and other receivables		<b>2,222,410</b>	1,974,925	<b>126,714</b>	69,847

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 27. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) The Group's trade receivables which arose from construction contracts are settled in accordance with the terms specified in the contracts governing the relevant construction works. The Group does not have a standardised and universal credit period granted to its construction contract customers. The credit period of an individual construction contract customer is considered on a case-by-case basis and is set out in the respective construction contracts, as appropriate.

According to the contracts governing the relevant construction works, trade receivables of RMB1,097,372,000 as at 31 December 2014 (2013: RMB765,587,000) were to be settled by instalments within two to three years upon completion of the relevant construction works and bore interest at rates ranging from 5.60% to 14.98% (2013: 6.00% to 10.00%) per annum. The remaining trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within 3 months	819,778	707,902
3 to 6 months	4,550	3,454
6 to 12 months	86,932	19,540
Over one year	830,748	723,002
	<b>1,742,008</b>	1,453,898

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	1,524,326	1,103,731
Past due but not impaired:		
6 to 12 months	—	292,828
Over one year	217,682	57,339
	<b>1,742,008</b>	1,453,898

Receivables that were neither past due nor impaired relate to government agencies and a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to government agencies and a number of independent customers that have a good payment record with the Group. Based on past experience, in the opinion of the directors, no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 27. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) The Group's other receivables at 31 December 2014 are analysed as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Temporary advances	50,000	227,496
Interest receivables on temporary advances and construction revenue	41,884	63,002
Long-term compensation receivables to be received within one year (note 20)	4,419	3,878
Toll income receivables	71,531	6,921
Interest income from pledged deposits	12,426	7,500
Miscellaneous	164,384	181,621
	<b>344,644</b>	490,418

As stipulated in the contracts entered into between the Group and the respective government agencies, other than the provision of construction works under the "Build-Transfer" mode (collectively referred as "BT Projects"), the Group is also required to provide temporary advances to the government agencies for the resettlement of residents and removal of obstacles performed by the relevant government agencies. These advances bear interest rates at 14.98% to 16.00% per annum (2013: 6.55% to 10.00% per annum).

The movements in provision for individually impaired other receivables are as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	112,771	112,771	30,321	30,321
Reversal of bad debt provision (note 5)	(2,334)	—	(979)	—
At 31 December	<b>110,437</b>	112,771	<b>29,342</b>	30,321

The individually impaired other receivables relate to debtors that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The aged analysis of the other receivables that are not considered to be impaired is as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	234,207	138,798	81,819	23,124
Past due but not impaired				
within 3 months	—	63,496	—	—
6 to 12 months	—	11,353	—	—
Over one year	—	164,000	—	—
	<b>234,207</b>	377,647	<b>81,819</b>	23,124

Receivables that were neither past due nor impaired related to a large number of diversified debtors for whom there was no recent history of default.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 27. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (c) Deposits of the Group and the Company at the end of the reporting period mainly include the following items:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Performance guarantee deposits in respect of:				
— BT Projects	65,330	22,652	—	—
— Suiguang-Suixi Expressways BOT Project	10,000	10,000	10,000	10,000
— Construction contracts	55,821	11,896	—	—
Bidding deposit in respect of:				
— Chengren Expressway BOT Project	10,000	10,000	10,000	10,000
— Construction contracts	5,000	3,000	—	—
Others	15,048	257	—	—
	<b>161,199</b>	57,805	<b>20,000</b>	20,000

- (d) Prepayments of the Group and the Company at 31 December 2014 included prepaid land lease payments to be recognised within one year of RMB32,074,000 (2013: RMB32,074,000) and RMB21,802,000 (2013 RMB21,802,000), respectively (note 14).
- (e) Amounts due from related parties, which are repayable on similar credit terms to those offered to the independent major customers of the Group, included in trade and other receivables as at the end of the reporting period are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Fellow subsidiaries under common control of STI Group		
— Trade receivables	544,964	85,739
— Other receivables	2,539	7,454
— Deposits	54,025	—
	<b>601,528</b>	93,193
PetroChina and its fellow subsidiaries*		
— Other receivables	2,231	13,781
— Prepayments	11,292	2,317
	<b>13,523</b>	16,098
	<b>615,051</b>	109,291

- \* PetroChina Company Limited ("PetroChina") is the non-controlling shareholder of Sichuan Zhonglu Energy Company Limited, a major subsidiary of the Group.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash and bank balances		<b>3,566,552</b>	1,740,963	<b>1,427,077</b>	754,067
Time deposits		<b>185,525</b>	189,463	<b>134,525</b>	163,933
		<b>3,752,077</b>	1,930,426	<b>1,561,602</b>	918,000
Less: Pledged time deposits	(a)	<b>(134,967)</b>	(138,463)	<b>(134,525)</b>	(133,933)
Cash and cash equivalents		<b>3,617,110</b>	1,791,963	<b>1,427,077</b>	784,067

Notes:

(a) At 31 December 2014, pledged deposits are for the following purposes:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bidding Chengren Expressway BOT Project	<b>11,436</b>	11,144	<b>11,436</b>	11,144
Performance guarantee under Suiguang-Suixi Expressways BOT Project	<b>10,939</b>	10,639	<b>10,939</b>	10,639
Bank loans (note 30(a)(iii))	<b>112,150</b>	112,150	<b>112,150</b>	112,150
BT Projects	—	4,530	—	—
Others	<b>442</b>	—	—	—
Total	<b>134,967</b>	138,463	<b>134,525</b>	133,933

(b) At the end of the reporting period, cash and bank balances were denominated in the following currencies:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
RMB	<b>3,712,433</b>	1,930,370	<b>1,561,515</b>	917,944
Hong Kong dollars	<b>87</b>	56	<b>87</b>	56
United States dollars	<b>39,557</b>	—	—	—
	<b>3,752,077</b>	1,930,426	<b>1,561,602</b>	918,000

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and six months, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 29. TRADE AND OTHER PAYABLES

	Notes	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Current portion:</b>					
Trade payables	(a)	<b>1,081,741</b>	377,987	—	—
Other payables	(b)	<b>1,996,129</b>	1,968,117	<b>633,348</b>	773,901
Accruals	(c)	<b>109,147</b>	75,607	<b>102,693</b>	75,413
Deferred income	(d)	<b>2,552</b>	3,449	<b>2,552</b>	3,449
		<b>3,189,569</b>	2,425,160	<b>738,593</b>	852,763
<b>Non-current portion:</b>					
Deferred income	(d)	<b>82,220</b>	13,969	<b>80,580</b>	13,969
		<b>3,271,789</b>	2,439,129	<b>819,173</b>	866,732

Notes:

- (a) An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within 3 months	<b>584,008</b>	279,645
3 to 6 months	<b>190,130</b>	9,048
6 to 12 months	<b>241,413</b>	17,273
Over 1 year	<b>66,190</b>	72,021
	<b>1,081,741</b>	377,987

The trade payables are non-interest-bearing and are normally settled within one to twelve months, except for retention payables from construction projects of RMB89,607,000 (2013: RMB18,603,000) which are normally settled within two years.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 29. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(b) Other payables at the end of the reporting period mainly included the following balances:

Notes	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Advances	<b>30,410</b>	22,836	<b>11,162</b>	60,831
Payroll and welfare payables	<b>58,424</b>	66,042	<b>20,680</b>	29,385
Taxes and surcharge payables	<b>144,253</b>	150,440	<b>8,579</b>	10,722
Progress billing payables (i)	<b>1,181,021</b>	1,241,279	<b>318,143</b>	409,759
Retention payables (ii)	<b>193,750</b>	185,731	<b>141,145</b>	170,265
Deposits (ii)	<b>250,202</b>	131,755	<b>35,096</b>	19,986
Others	<b>138,069</b>	170,034	<b>98,543</b>	72,953
	<b>1,996,129</b>	1,968,117	<b>633,348</b>	773,901

(i) Representing progress billing payables of RMB689,622,000 (2013: RMB929,026,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project;

(ii) Retention payables and deposits of RMB314,352,000 (2013: RMB192,641,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, including a performance guarantee deposit of approximately RMB121,438,000 (2013: RMB11,526,000) received from subcontractors, bear interest at a rate of 0.35% (2013: 0.35%) per annum.

(c) The balance as at 31 December 2014 consisted of interest accrued in respect of medium-term notes and interest-bearing bank loans of RMB44,236,000 (2013: RMB31,467,000) and RMB64,911,000 (2013: RMB44,140,000), respectively.

(d) Deferred income at the end of the reporting period mainly included the following items:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Leasing income received in advance	<b>15,587</b>	16,341	<b>15,587</b>	16,341
Management fee received in advance for operation of a bridge	<b>50,000</b>	—	<b>50,000</b>	—
Various deferred compensation income received in advance	<b>18,192</b>	—	<b>16,552</b>	—
Miscellaneous	<b>993</b>	1,077	<b>993</b>	1,077
	<b>84,772</b>	17,418	<b>83,132</b>	17,418

Deferred income of the Group and the Company to be released to profit or loss after twelve months from 31 December 2014 with respective amount of RMB82,200,000 (2013: RMB13,969,000) and RMB80,580,000 (2013: RMB13,969,000) has been recorded as non-current liabilities.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 29. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

- (e) Amounts due to related parties included in trade and other payables as at the end of the reporting period, which was on credit terms similar to those offered to their independent major suppliers of the Group, are as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Fellow subsidiaries under common control of STI Group		
– Trade payables	<b>80,720</b>	22,434
– Other payables	<b>104,773</b>	3,054
	<b>185,493</b>	25,488
PetroChina and its fellow subsidiaries		
– Trade payables	<b>660</b>	622
– Other payables	<b>3,669</b>	6,791
	<b>4,329</b>	7,413
	<b>189,822</b>	32,901

Except for the performance guarantee deposits and retention payables which have a longer repayment term of approximately two years, other payables are non-interest-bearing and have an average term of three months.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 30. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank loans:					
Secured and guaranteed	(a)	<b>2,106,400</b>	2,106,400	<b>2,000,000</b>	2,000,000
Secured	(a)	<b>7,912,536</b>	5,219,012	<b>4,656,436</b>	4,911,012
Unsecured		<b>1,243,000</b>	1,159,000	<b>1,123,000</b>	959,000
Medium-term notes	(b)	<b>1,600,000</b>	1,300,000	<b>1,600,000</b>	1,300,000
Other loans, unsecured	(c)	<b>152,092</b>	105,001	<b>4,545</b>	20,454
		<b>13,014,028</b>	9,889,413	<b>9,383,981</b>	9,190,466
Analysed into:					
Bank loans repayable:					
Within one year		<b>1,995,730</b>	1,188,000	<b>1,875,730</b>	680,000
In the second year		<b>1,809,050</b>	1,948,750	<b>1,809,050</b>	1,948,750
In the third to fifth years, inclusive		<b>1,860,551</b>	2,427,125	<b>1,394,151</b>	2,427,125
Beyond five years		<b>5,596,605</b>	2,920,537	<b>2,700,505</b>	2,814,137
		<b>11,261,936</b>	8,484,412	<b>7,779,436</b>	7,870,012
Medium-term notes repayable:					
In the third to fifth years, inclusive		<b>1,600,000</b>	1,300,000	<b>1,600,000</b>	1,300,000
Other loans repayable:					
Within one year		<b>4,545</b>	15,909	<b>4,545</b>	15,909
In the second year		<b>84,547</b>	4,545	<b>—</b>	4,545
In the third to fifth years, inclusive		<b>63,000</b>	84,547	<b>—</b>	—
		<b>152,092</b>	105,001	<b>4,545</b>	20,454
Total bank and other loans		<b>13,014,028</b>	9,889,413	<b>9,383,981</b>	9,190,466
Portion classified as current liabilities		<b>(2,000,275)</b>	(1,203,909)	<b>(1,880,275)</b>	(695,909)
Non-current portion		<b>11,013,753</b>	8,685,504	<b>7,503,706</b>	8,494,557

At the end of the reporting period, all interest-bearing bank and other loans of the Group were denominated in RMB.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 30. INTEREST-BEARING BANK AND OTHER LOANS (Continued)

(a) Bank loans were secured and guaranteed by:

Notes	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Secured by concession rights of:				
Chengbei Exit Expressway	—	48,000	—	—
Chengle Expressway (i)	106,400	106,400	—	—
Chengren Expressway	3,906,436	3,911,012	3,906,436	3,911,012
Chengya Expressway	750,000	1,000,000	750,000	1,000,000
Suiguang-Suixi Expressways	3,256,100	—	—	—
13(a)	8,018,936	5,065,412	4,656,436	4,911,012
Secured by time deposits (ii)	2,000,000	2,000,000	2,000,000	2,000,000
Secured by trade receivables	—	260,000	—	—
	10,018,936	7,325,412	6,656,436	6,911,012

- (i) The bank loans were also guaranteed by Sichuan Highway Development for nil consideration (note 36(d)).
- (ii) As at 31 December 2014, time deposits of RMB112,150,000 (2013: RMB112,150,000) were pledged to China Construction Bank Chengdu Xinhua Branch to counter guarantee the Group's bank loans of RMB2,000,000,000 (2013: RMB2,000,000,000) granted by China Construction Bank (Asia) and China Construction Bank Tokyo Branch (note 28).

The bank loans bear interest at the respective fixed rates ranging from 5.00% to 6.55% (2013: from 5.24% to 7.05%) per annum.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 30. INTEREST-BEARING BANK AND OTHER LOANS (Continued)

- (b) On 19 June 2012 and 19 November 2012, the Company issued medium-term notes totalling RMB200 million and RMB500 million, respectively, to domestic institutional investors participating in the PRC interbank debt market. The medium-term notes of RMB200 million and RMB500 million were issued at par value of RMB100 per unit, at interest rates of 4.75% and 5.57% per annum, and will be repaid on 18 June 2017 and 18 November 2017, respectively.

In March 2013, the Company issued medium-term notes of RMB600 million to domestic institutional investors participating in the PRC interbank debt market. The medium-term notes were issued at a par value of RMB100 per unit, at an interest rate of 5.23% per annum, and will be repaid in March 2018.

In July 2014, the Company issued medium term notes of RMB300 million to domestic institutional investors participating in the PRC interbank debt market. The medium-term notes were issued at a par value of RMB100 per unit, at an interest rate of 6.30% per annum, and will be repaid in July 2019.

- (c) Other loans consisted of (i) unsecured state loans of RMB4,545,000 (2013: RMB20,454,000) bearing interest rates ranging from 4.44% to 5.00% (2013: 3.30% to 5.00%) per annum (note 36 (a)); and (ii) an unsecured shareholder loan of RMB147,547,000 (2013: RMB84,547,000) granted to the Group by a non-controlling shareholder (note 36 (h)) bearing annual interest rates ranging from 6.00% to 6.51% (2013: 6.15%).

### 31. ISSUED CAPITAL

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Issued and fully paid:		
A Shares of 2,162,740,000 (2013: 2,162,740,000) of RMB1.00 each	<b>2,162,740</b>	2,162,740
H Shares of 895,320,000 (2013: 895,320,000) of RMB1.00 each	<b>895,320</b>	895,320
	<b>3,058,060</b>	3,058,060

The H Shares have been issued and listed on the main board of the Hong Kong Stock Exchange since October 1997 and the A Shares have been listed on the Shanghai Stock Exchange since July 2009.

All A and H Shares rank pari passu with each other in terms of dividends and voting rights.

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 32. RESERVES

#### Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

#### (a) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, the Company, its subsidiaries and associates are required to allocate 10% of their profits after tax, as determined in accordance with PRC GAAP applicable to the Company, its subsidiaries and associates, to the statutory surplus reserve (the "SSR") until this reserve reaches 50% of the registered capital of the Company, its subsidiaries and associates. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, part of the SSR may be converted to increase the share capital of the Company, its subsidiaries and associates, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

#### (b) Merger difference

The merger difference of the Group is resulted from the preparation of the Group's consolidated financial statements. It represents the difference between the consideration paid for the acquisition of Chengle Company, after netting off the nominal value of the issued capital of Chengle Company attributable to the then owners of Chengle Company. Prior to the acquisition of Chengle Company, the merger difference represents the nominal value of the issued capital of Chengle Company attributable to the then owners of Chengle Company.

#### (c) Safety fund reserve

Pursuant to the Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group is required to establish for safety fund surplus reserve based on construction revenue recognised. The safety fund can only be transferred to retained profits to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 32. RESERVES (Continued)

#### Company

	Share premium account RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Available- for-sale investment revaluation reserve RMB'000	Difference arising from the acquisition of non- controlling interests RMB'000	Total RMB'000
At 1 January 2013	2,654,601	2,506,716	2,100,510	11,945	(244,529)	7,029,243
Total comprehensive income for the year	—	—	942,931	(3,646)	—	939,285
Deemed disposal of available- for-sale investments	—	—	—	(162)	—	(162)
Transfer from/(to) reserves	—	375,969	(375,969)	—	—	—
Proposed final 2013 dividend (note 33)	—	—	(244,645)	—	—	(244,645)
<b>At 31 December 2013 and 1 January 2014</b>	<b>2,654,601</b>	<b>2,882,685</b>	<b>2,422,827</b>	<b>8,137</b>	<b>(244,529)</b>	<b>7,723,721</b>
Total comprehensive income for the year	—	—	916,562	20,324	—	936,886
Deemed disposal of available- for-sale investments	—	—	—	(11)	—	(11)
Transfer from/(to) reserves	—	367,756	(367,756)	—	—	—
Proposed final 2014 dividend (note 33)	—	—	(244,645)	—	—	(244,645)
<b>At 31 December 2014</b>	<b>2,654,601</b>	<b>3,250,441</b>	<b>2,726,988</b>	<b>28,450</b>	<b>(244,529)</b>	<b>8,415,951</b>

According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP.

### 33. DIVIDEND

	2014 RMB'000	2013 RMB'000
Proposed final — RMB0.080 (2013: RMB0.080) per ordinary share	<b>244,645</b>	244,645

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 34. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases certain of its office buildings, land and service zones under operating lease arrangements, with lease negotiated for terms ranging from 1 to 16 years. The term of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating lease with its tenants falling due as follows:

	<b>Group</b>	
	<b>2014</b> <b>RMB'000</b>	2013 <i>RMB'000</i>
Within one year	<b>2,552</b>	3,449
In the second to fifth years, inclusive	<b>3,725</b>	3,725
After five years	<b>9,310</b>	10,244
	<b>15,587</b>	17,418

#### (b) As lessee

The Group has entered into commercial leases on certain land and office buildings as it is not in the best interest of the Group to purchase these assets. These leases have an average life of 1 to 22.5 years.

At 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b> <b>RMB'000</b>	2013 <i>RMB'000</i>	<b>2014</b> <b>RMB'000</b>	2013 <i>RMB'000</i>
Within one year	<b>24,777</b>	24,777	<b>12,687</b>	12,687
In the second to fifth years, inclusive	<b>55,309</b>	76,536	<b>26,660</b>	39,347
After five years	<b>151,274</b>	168,700	<b>88,866</b>	97,753
	<b>231,360</b>	270,013	<b>128,213</b>	149,787

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group and the Company had the following commitments at the end of the reporting period:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Contracted, but not provided for	<b>2,037,903</b>	4,755,839	—	—
Authorised, but not contracted for	<b>4,118,256</b>	4,774,176	<b>204,105</b>	208,998
	<b>6,156,159</b>	9,530,015	<b>204,105</b>	208,998

Further details of the capital commitments of the Group and the Company as at 31 December 2014 are analysed as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
In respect of:				
Construction works to upgrade:				
— the expressways	<b>194,510</b>	135,097	<b>119,130</b>	84,000
— properties along the expressways	<b>3,344</b>	1,482	<b>3,115</b>	801
— gas stations along the expressways	<b>18,018</b>	61,626	—	—
Suiguang-Suixi Expressways BOT Project	<b>5,702,905</b>	9,063,180	—	—
Purchase of items of property, plant and equipment	<b>237,382</b>	268,630	<b>81,860</b>	124,197
	<b>6,156,159</b>	9,530,015	<b>204,105</b>	208,998

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

- (a) In previous years, the Group obtained state loans amounting to RMB250,000,000 in aggregate pursuant to the loan repayment agreements (the "Loan Repayment Agreements") entered into between the Company and Sichuan Highway Development. Both the Company and Sichuan Highway Development are controlled by STI Group. The state loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of Chengya Expressway, Sichuan Highway Development had initially obtained the state loans, and pursuant to the Loan Repayment Agreements, the state loans were then transferred to the Group. During the year, the Group repaid part of the state loans amounting to RMB15,909,000 (2013: RMB22,728,000). The state loans have been included in other loans as set out in note 30 to the financial statements.
- (b) During the year, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary of Sichuan Highway Development, in relation to the provision of a computer system of the highway toll fee collection networks and the supportive technological services to the Group amounted to RMB11,005,000 (2013: RMB10,387,000).
- (c) During the year, the rental payable to Sichuan Highway Development for leasing out certain part of its office buildings by Chengle Company amounted to RMB799,000 (2013: RMB884,000). The directors consider that the office rental expenses paid by the Group to Sichuan Highway Development as determined under the tenancy agreement are based on the market rate for similar premises in similar location.
- (d) Guarantee of bank loans
- At 31 December 2014, bank loans of Chengle Company aggregating RMB106,400,000 (2013: RMB106,400,000) were guaranteed by Sichuan Highway Development (note 30(a)(i)) for nil consideration.
- (e) During the year, the rental received from STI Group for leasing out a certain part of its office buildings by the Company amounted to RMB2,442,000 (2013: RMB2,442,000). The directors consider that the office rental income received by the Group from STI Group as determined under the tenancy agreement are based on the market rate for similar premises in a similar location.
- (f) During the year, TCC was engaged by fellow subsidiaries under common control of STI Group to provide construction works including daily maintenance works and emergency or rescue works of expressways and ancillary facilities. Construction revenue recognised by TCC from providing these services amounted to RMB1,084,581,000 (2013: RMB126,520,000).
- (g) During the year, the Group purchased raw materials, machinery and electronic equipment for various infrastructure construction projects from subsidiaries of the STI Group with an aggregate amount of RMB90,154,000 (2013: RMB21,483,000).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 36. RELATED PARTY TRANSACTIONS (Continued)

- (h) During the year, Renshou Landmark obtained interest-bearing loans from Sichuan Trading Landmark Co., Ltd. ("Trading Landmark") with an aggregate amount of RMB63,000,000 (2013: RMB84,547,000) for its property development activities in the future. Trading Landmark is ultimately controlled by STI Group. The amounts due to Trading Landmark have a maturity period of three years, and bear interest ranging from 6.15% and 6.51% per annum in the first year of utilisation. The interest rate in the subsequent years will be adjusted by reference the prevailing market rate published by the People's Bank of China.
- (i) During the year, the Group entered into four separate agreements with PetroChina (Sichuan Oil Sales Branch), PetroChina (Southwest Sales Branch), PetroChina (Sichuan Sales Branch), and China National Petroleum Corporation Transportation Co., Ltd. (Sichuan Branch), regarding the purchase of heavy oil and fuel, asphalt, refined oil and transportation services. PetroChina is a substantial non-controlling shareholder of a major subsidiary of the Group. During the year, aggregate purchase costs in respect of goods and transportation services amounted to RMB1,659,802,000 (2013: RMB1,494,677,000).
- (j) Compensation of key management personnel of the Group:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000
Fees	<b>320</b>	300
Other emoluments:		
Salaries, allowances and benefits in kind	<b>3,188</b>	2,898
Pension scheme contributions	<b>263</b>	207
Supplementary pension scheme contributions	<b>153</b>	140
	<b>3,604</b>	3,245
Total compensation paid to key management personnel	<b>3,924</b>	3,545

Further details of directors' emoluments are included in note 8 to the financial statements.

These transactions were carried out in accordance with the terms of agreements governing these transactions.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

#### Group

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Financial assets</b>				
Pledged deposits, non-current portion	<b>55,700</b>	112,150	<b>55,700</b>	112,150
Long-term compensation receivables, non-current portion	<b>57,230</b>	61,649	<b>57,230</b>	61,649
Available-for-sale investments, listed equity investments	<b>81,467</b>	44,467	<b>81,467</b>	44,467
	<b>194,397</b>	218,266	<b>194,397</b>	218,266
<b>Financial liabilities</b>				
Interest-bearing bank and other loans, non-current portion:				
— Bank loans	<b>9,266,206</b>	7,296,412	<b>8,465,528</b>	6,616,196
— Medium-term notes	<b>1,600,000</b>	1,300,000	<b>1,480,742</b>	1,173,107
— Other loans	<b>147,547</b>	89,092	<b>135,650</b>	88,619
	<b>11,013,753</b>	8,685,504	<b>10,081,920</b>	7,877,922

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Company

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<b>Financial assets</b>				
Pledged deposits, non-current portion	55,700	112,150	55,700	112,150
Due from subsidiaries, non-current portion	2,364,865	3,494,865	2,364,865	3,494,865
Available-for-sale investments, listed equity investments	52,559	28,688	52,559	28,688
	<b>2,473,124</b>	3,635,703	<b>2,473,124</b>	3,635,703
<b>Financial liabilities</b>				
Interest-bearing bank and other loans, non-current portion				
— Bank loans	5,903,706	7,190,012	5,272,585	6,522,294
— Medium-term notes	1,600,000	1,300,000	1,480,742	1,173,107
— Other loans	—	4,545	—	4,072
	<b>7,503,706</b>	8,494,557	<b>6,753,327</b>	7,699,473

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from subsidiaries (current portion) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of the Group's long term compensation receivable and interest-bearing bank and other loans and the Company's amounts due from subsidiaries have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Group's or the subsidiaries' own non-performance risk where appropriate.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of listed equity investments are based on quoted market prices.

#### Fair value hierarchy

#### Assets measured at fair value:

##### Group

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2014</b>				
<b>Financial assets</b>				
Available-for-sale investments, listed equity investments	81,467	—	—	81,467
	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
<b>As at 31 December 2013</b>				
<b>Financial assets</b>				
Available-for-sale investments, listed equity investments	44,467	—	—	44,467



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

#### Assets measured at fair value: (Continued)

##### Company

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2014</b>				
<b>Financial assets</b>				
Available-for-sale investments, listed equity investments	52,559	—	—	52,559

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2013</b>				
<b>Financial assets</b>				
Available-for-sale investments, listed equity investments	28,688	—	—	28,688

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

#### Assets for which fair values are disclosed:

##### Group

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2014</b>				
<b>Financial assets</b>				
Pledged deposits, non-current portion	–	55,700	–	55,700
Long-term compensation receivables, non-current portion	–	–	57,230	57,230
	–	55,700	57,230	112,930

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2013</b>				
<b>Financial assets</b>				
Pledged deposits, non-current portion	–	112,150	–	112,150
Long-term compensation receivables, non-current portion	–	–	44,467	44,467
	–	112,150	44,467	156,617

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

#### Assets for which fair values are disclosed: (Continued)

#### Company

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2014</b>				
<b>Financial assets</b>				
Pledged deposits, non-current portion	—	55,700	—	55,700
Due from subsidiaries, non-current portion	—	—	2,364,865	2,364,865
	—	55,700	2,364,865	2,420,565

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2013</b>				
<b>Financial assets</b>				
Pledged deposits, non-current portion	—	112,150	—	112,150
Due from subsidiaries, non-current portion	—	—	3,494,865	3,494,865
	—	112,150	3,494,865	3,607,015

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

#### Group

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2014</b>				
<b>Financial liabilities</b>				
Interest-bearing bank and other loans	—	—	10,081,920	10,081,920
<b>As at 31 December 2013</b>				
<b>Financial liabilities</b>				
Interest-bearing bank and other loans	—	—	7,877,922	7,877,922

#### Company

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2014</b>				
<b>Financial liabilities</b>				
Interest-bearing bank and other loans	—	—	6,753,327	6,753,327
<b>As at 31 December 2013</b>				
<b>Financial liabilities</b>				
Interest-bearing bank and other loans	—	—	7,699,473	7,699,473

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

Risk management is carried out by the finance department which is led by the Group's executive directors. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### **Interest rate risk**

The interest rates and terms of repayment of interest-bearing bank and other loans are disclosed in note 30. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables and loans which are subject to floating interest rate.

#### **Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other loans.

With regard to 2014 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

#### Group

	2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other loans	–	446,122	2,247,468	7,265,099	7,113,849	17,072,538
Trade and other payables	1,177,540	1,144,083	152,907	372,806	–	2,847,336
	<b>1,177,540</b>	<b>1,590,205</b>	<b>2,400,375</b>	<b>7,637,905</b>	<b>7,113,849</b>	<b>19,919,874</b>

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other loans	–	622,199	1,159,963	7,057,975	3,851,629	12,691,766
Trade and other payables	788,373	1,019,333	3,691	315,273	–	2,126,670
	<b>788,373</b>	<b>1,641,532</b>	<b>1,163,654</b>	<b>7,373,248</b>	<b>3,851,629</b>	<b>14,818,436</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

#### Company

	2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other loans	—	389,892	1,957,545	5,863,733	3,559,949	11,771,119
Other payables	408,429	2,343	10,809	173,897	—	595,478
Due to subsidiaries	128,807	—	—	—	—	128,807
	<b>537,236</b>	<b>392,235</b>	<b>1,968,354</b>	<b>6,037,630</b>	<b>3,559,949</b>	<b>12,495,404</b>

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other loans	—	476,466	777,820	6,937,921	3,736,221	11,928,428
Other payables	320,667	75,413	3,691	342,919	—	742,690
Due to subsidiaries	128,465	—	—	—	—	128,465
	<b>449,132</b>	<b>551,879</b>	<b>781,511</b>	<b>7,280,840</b>	<b>3,736,221</b>	<b>12,799,583</b>

## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

*(Continued)*

#### **Credit risk**

The long-term compensation receivables from XDG do not expose the Group to any additional credit risk as the credit risk associated has been factored in the imputed interest rate used for discounting the value of the compensation receivables in future to their carrying amount. As the Group's major customers in the construction contracts segment are PRC government agencies and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

#### **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is the Group's total liabilities over its total assets. The Group's policy is to keep the gearing ratio at a healthy capital level in order to support its businesses. The Group's gearing ratio as at 31 December 2014 was 57.06% (2013: 51.93%).

#### **Foreign currency risk**

The Group's businesses are located in the PRC and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in HK\$ and US\$.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between US\$ and RMB as a reasonable possible change of 5% in RMB against US\$ would have no significant financial impact to the Group's profit.



## NOTES TO FINANCIAL STATEMENTS (*CONTINUED*)

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### **39. EVENT AFTER THE REPORTING PERIOD**

Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 5 February 2015, the shareholders approved the issuance of unsecured corporate bonds by the Company during the period from the date of approval by the shareholders till 24 months after the date of approval by the China Securities Regulatory Commission (the "CSRC") on the issue of the corporate bonds, with principal not exceeding RMB1,500,000,000. The corporate bonds will be issued at par value, in single or multiple tranches upon the approval by the CSRC and may have single or multiple maturity periods of no more than five years. Further details are contained in the Company's announcement dated 5 February 2015.

### **40. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with current year's presentation.

### **41. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board on 26 March 2015.