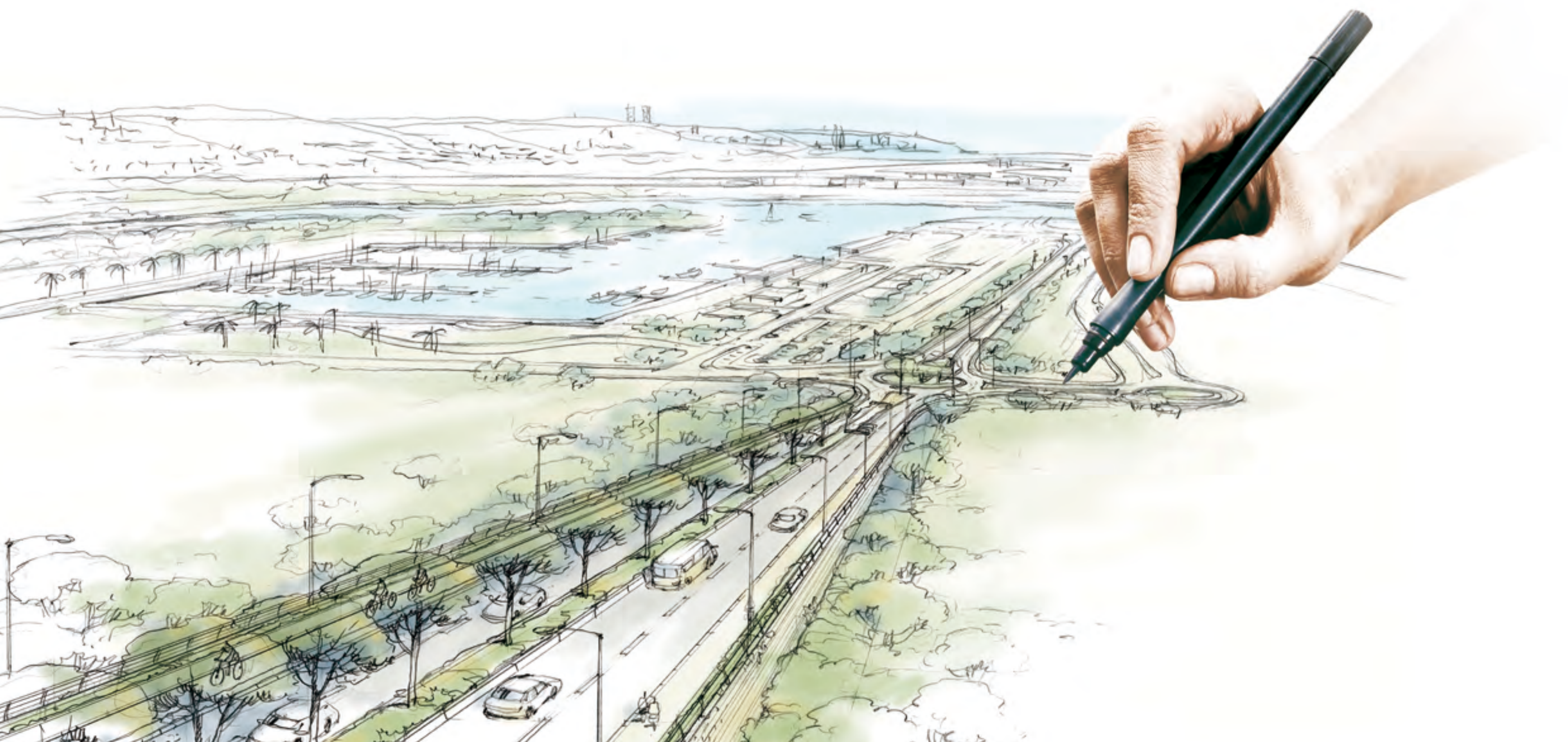
Sichuan Expressway Company Limited

(Stock Code: 00107)

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

2016 Annual Report

CONTENTS



DEFINITIONS

In this section, the definitions are presented in alphabetical 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 Partership)
Chengyu Jianxin Fund Company	Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd.
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
CSI SCE	CSI SCE Investment Holding Limited

Panxi Fund	Sichuan Panxi Strategic Resources Development Investment Fund Partnership Company (Limited Partnership)
Renshou Bank	Sichuan Renshou Rural Commercial Bank Co., Ltd.
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
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shurui Company	Sichuan Shurui Construction Engineering Co., Ltd.
Shuxia Company	Sichuan Shuxia 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

2016 AGM	the 2016 annual general meeting of the Company to be held on 6 June 2017 (Tuesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 20 April 2017 (Thursday)
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
Board	the board of Directors of the Company

DEFINITIONS *(CONTINUED)*

BOT Project	build-operation-transfer project
BT Project	build-transfer project
China Merchants Expressway Company	China Merchants Expressway Network and Technology Holdings Co. LTD (previously known as China Merchants Huajian Highway Investment Company Limited), the substantial shareholder of the Company
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission
Development Investment Company	Sichuan Development Equity Investment Fund Management Co., Ltd.
Director(s)	director(s) of the Company
Dividend Entitlement Date	21 June 2017 (Wednesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2016 final dividend of the Company (if approved by the Shareholders at the 2016 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
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
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 Mainland 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 Gaotan BT Project	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
Renshou Land-linked Pilot BT Project	the land-linked pilot project in Renshou County, Meishan City in the form of BT (build-transfer)
Renshou Shigao BT Project	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)
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
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 Highway Development	Sichuan Highway Development Holding Company, a subsidiary of STI
SSE	Shanghai Stock Exchange
STI	Sichuan Transportation Investment Group Co. Ltd, 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)

DEFINITIONS *(CONTINUED)*

Chengle Expressway Capacity Expansion Trial Project	Capacity Expansion Trial Project for Qinglongchang to Meishan Section of Chengle Expressway
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	supervisory committee of the Company
Trading Landmark	Sichuan Trading Landmark Company Limited
Year or Reporting Period	the 12 months ended 31 December 2016

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

Statutory Chinese and English Names of the Company	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
Legal Representative	Zhou Liming
Company Website	http://www.cygs.com
Company's Registered Address and Office Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal Code	610041
Secretary to the Board	Zhang Yongnian
Tel	(86) 28-8552-7510
Representative of Securities Affairs	Zhang Hua
Tel	(86) 28-8552-7510
Fax	(86) 28-8553-0753
Investors' Hotline	(86) 28-8552-7510/(86) 28-8552-7526
E-mail	cygszh@163.com
Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Stock Exchanges of the Listing Shares	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
Newspapers Selected by the Company for Information Disclosure	China Securities Journal, Shanghai Securities News
Websites Designated for Publication of the Annual Report of the Company	http://www.sse.com.cn http://www.hkex.com.hk http://www.cygs.com

CORPORATE INFORMATION *(CONTINUED)*

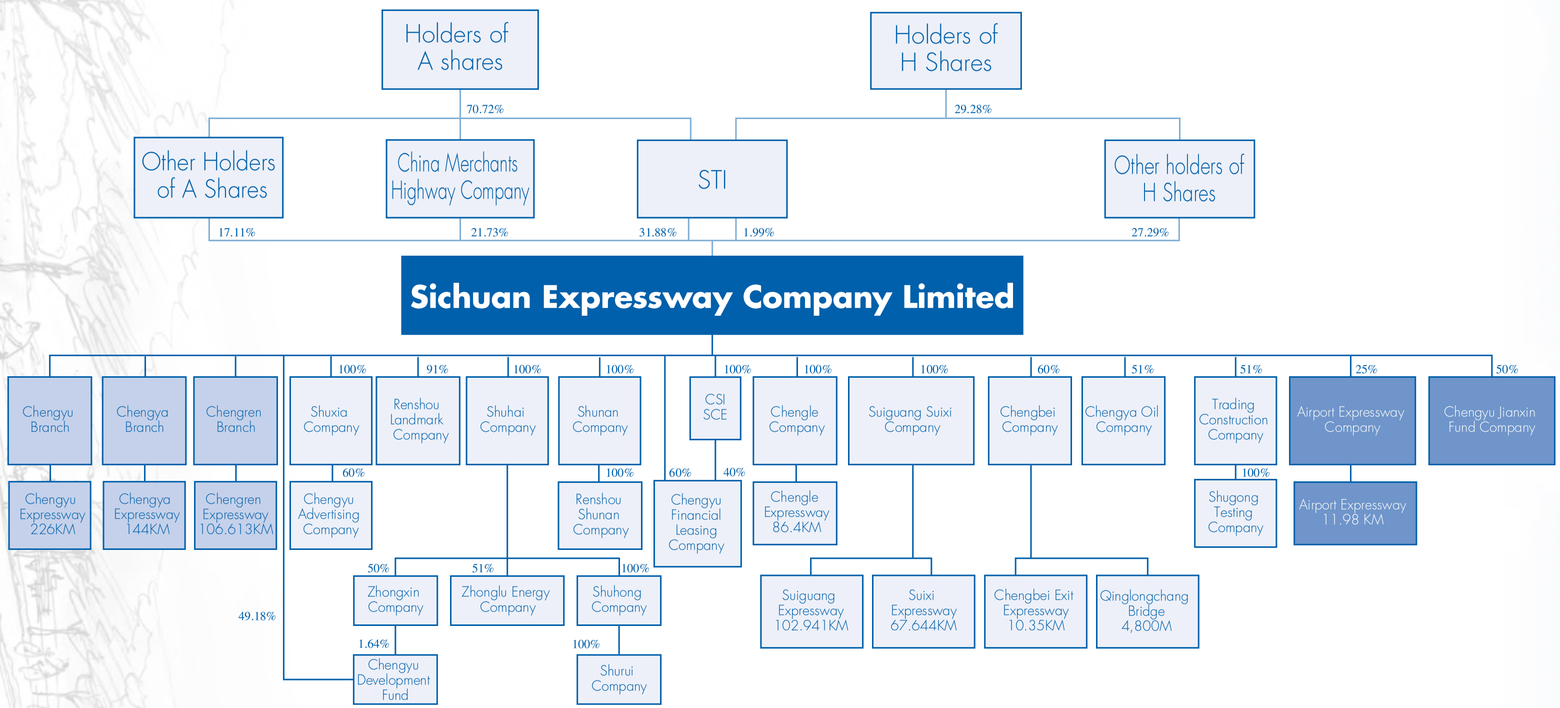
Place for Inspection of the Annual Report of the Company	PRC: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC Hong Kong: 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young Certified Public Accountants 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
PRC Auditor	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
Hong Kong Legal Adviser	Messrs. Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Beijing Zhongyin (Chengdu) Law Firm (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
Domestic Shares Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, No. 166 Lujiazui East Road, Pudong, Shanghai, the PRC
Hong Kong Shares Registrar and Transfer Office	Hong Kong Registrars Limited 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Place of Business in Hong Kong	Rooms 2201–2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
Initial Registration Date and Place	19 August 1997 Chengdu, Sichuan Province, the PRC
Latest Date of Registration Update	11 October 2016
Unified Social Credit Code	9151000020189926XW
Principal Banker	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 expressway infrastructure projects as well as the operation of other businesses related to expressways. Currently, the Group mainly owns all or substantially all interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suiguang Expressway and Suixi Expressway. As at 31 December 2016, the toll length of expressways of the Group has reached approximately 744km in total. The Group's total asset and net asset were approximately RMB36,351,121,000 and RMB13,884,032,000, respectively.

As at 31 December 2016, 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:



本集團轄下高速公路路網示意圖
Road Network of the Group's Expressways

CHAIRMAN'S STATEMENT

I would like to report on behalf of the Board of Directors to the Shareholders. In 2016, the Group insisted on making progress while maintaining stability, focusing on the decision-making arrangements such as putting more projects into operation, improving capital operation, advancing management efficiency, and stimulating reform and innovation. By upholding the spirit of forging ahead, it deeply plowed the principle business, carried out diversified development, and continuously improved profitability, making a good start for the Group's 13th Five-Year Plan[1].

RESULTS AND DIVIDENDS

In 2016, the Group's attributable profits to the owners of the Company was approximately RMB1,056,584,000, a year-on-year increase of 4.97%. Basic earnings per share were RMB0.346 (about RMB0.329 in 2015). In accordance with the provisions in the Articles of Association of the Company, if the Company distributes cash dividend, the proportion shall not be lower than 30% of the distributable profit earned by the Company for the period concerned (the distributable profit calculated under PRC and foreign accounting standards, whichever is lower). The Board has recommended a cash dividend of RMB0.11 per share at the conclusion of 2016 fiscal year (tax included), a total of RMB336,387,000, representing 47.79% of the profit attributable to the Shareholders of the Company in accordance with the PRC Accounting Standards in current fiscal year, and representing 32.12% of the profit attributable to the owners of the Company (calculated in accordance with the PRC Accounting Standards) in the consolidated financial statements. The proposed dividend is subject to approval at the forthcoming 2016 Annual General Meeting of Shareholders.

[1] The Group's 13th Five-Year Plan: The 13th Five-Year Plan development strategy and planning of Sichuan Expressway Company Limited

REVIEW

2016 is the first year of the 13th Five-Year Plan[2]. Also, it is the year that China entered into a crucial period of the comprehensive deepening reform.

Over the past year, China's economy made progress while maintaining stability. The world economic recovery was still slow and uneven, international trade and investment was weak, growth momentum fell short, global productivity reduced, innovation met resistance, and the global economy was caught in a "low growth trap"[3]. In the face of the complicated external economic environment, the central government insisted on making progress while maintaining stability, promoted the overall layout of "five in one"[4], carried forward the overall strategic layout of "four aspects of completeness"[5], innovated development concept, focused on promoting the supply-side structural reform, and moderately expanded aggregate demand. In the meantime, the central government is determined to reform, and it has set the goal of improving the quality and efficiency of economic development, and to speed up economic reform. Over the past year, China's economic structure has been optimized, the traditional industries have been upgraded, the high-tech industry has risen steadily, the national economy has increased by 6.7%[6], the growth rate has been maintained at a high level, and the quality and efficiency have been improved, making a good start in China's 13th Five-Year Plan.

Over the past year, Sichuan's economy developed healthily. In the face of the macroeconomic situation of increasing economic downward pressure, Sichuan Province firmly insisted on making progress while maintaining stability, took positive actions, forged ahead by formulating a series of policies that bring steady growth and benefit structural adjustment. It stabilized the economy, promoted reform, and achieved positive progress in economic structural adjustment, and at the same time further enhanced regional development coordination, and continued to unleash the economic development momentum and vitality. At the end of the reporting period, the GDP of Sichuan Province reached about RMB3,268 billion, up by 7.7%[7] year on year, and the economic and social development was steady and healthy.

Over the past year, the transportation industry continued to develop rapidly. The transportation industry seized the opportunity and led the economic and social development. The Modern Integrated Transport System Development Plan of the "13th Five-Year Plan" was formulated, including 14 special plans such as highway, water transport, the Mid-and-long Term Railway Network Plan was revised, "13th Five-Year Plan" integrated transportation planning system has been basically formed. Transport supply-side structural reform has achieved new breakthroughs, a basic integrated transport infrastructure network has been built up, and the role of transportation "two promoting, one stabilizing"[8] is more obvious. During the reporting period, the fixed assets investment in highway, railway, waterway and civil aviation across the nation exceeded RMB2.57 trillion, the newly-built expressway was over 6,000 kilometers, the total mileage exceeded 130,000 kilometers, and the total number of ETC users exceeded 43 million[9]. The model of "Internet + transportation" flourished, "integrated transportation big data cloud platform" was officially launched. The industry took concrete steps in opening and sharing industry data, "transportation + characteristic industry" and other new models of poverty alleviation kept moving forward. The transportation industry has written a new chapter in reform and development.

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2 13th Five-Year Plan: the 13th Five-Year Plan of National Economic and Social Development of the People's Republic of China

3 Low growth trap: Economic growth slows in both developed and emerging economies

4 Five in one: the overall layout of building socialism with Chinese characteristics: economic construction, political construction, cultural construction, social construction, ecological civilization

5 Four aspects of completeness: comprehensively building a well-off society, comprehensively deepening reform, and comprehensively ruling the country according to law, comprehensively managing and governing the party

6 Source: Preliminary results released by the National Bureau of Statistics

7 Source: Preliminary results issued by the Sichuan Provincial Bureau of Statistics

8 Transportation "two promoting, one stabilizing": promoting investment, promoting consumption, stabilizing growth

9 Source: China Ministry of Transport

Over the past year, Sichuan Province made great achievements in transportation. Sichuan transportation industry consciously practiced the new development concept, insisted on progress while maintaining stability, focuses on supply-side structural reform, implemented the "three development strategies"[10], making a good start in the traffic development of the 13th Five-Year Plan. In 2016, the province's traffic investment has remained active, highway waterway construction has completed investment of RMB131 billion[11], exceeding RMB100 billion for six consecutive years, playing an important role in the steady growth. The province's highway mileage has reached 6,519km, ranking the second place nationwide[12]; the 13th Five-Year Plan development plan of the province's road transport was formulated, according to the plan, by 2020, an accessible, safe and efficient highway network will be built within the province. Sichuan has accelerated the construction of "intelligent traffic", 1,272 ETC lanes have been built, the number of ETC users reached 1.8 million, a year-on-year growth of 65%[13]. Implementation Measures of "BOT + Government Equity Cooperation" Project on Expressways in Sichuan Province was introduced, PPP systems like BOT, BOT + government subsidy, BOT + government equity cooperation have been set up, which effectively stimulated the enthusiasm of social capital investment in expressway projects.

In 2016, the Group has overcome many difficulties and achieved healthy and rapid development. The Group adhered to the established strategies, focused on the business objectives, carried out all kinds of efforts, innovated the management, strengthened the measures, and made it to Fortune 500 in China, making a good start in the Group's 13th Five-Year Plan.

– **Steady improvement of operating efficiency**. As at the end of reporting period, the Group's total assets was approximately RMB36,351,121,000 and the net asset value was approximately RMB13,884,032,000, in this year, the Group has achieved the total net revenue approximately RMB10,211,134,000, and the attributable profit to the Company's owners was approximately RMB1,056,584,000, representing a year-on-year increase of 4.97%, the basic earnings per share was approximately RMB0.346, which increased by 5.17% compared to last year.

[10] Three Development Strategies: multi-point multi-pole support development strategy, benign mutual promotional development between industrialization and urbanization, urban and rural coordinated development strategy, innovation-driven development strategy

[11] Source: Sichuan Provincial Department of Transportation

[12] Source: Sichuan Provincial Department of Transportation

[13] Source: Sichuan Provincial Department of Transportation

- **The quality and efficiency of operation and management have been improved**. Chengdu-Renshou Expressway, Chengdu-Ya'an Expressway, and Chengdu-Leshan Expressway have respectively ranked as top 3 many times in the province's expressway service quality evaluation; Suining-Guang'an and Suining-Xichong Company acquired three national utility model patent certificates: "a fluorocarbon reflective wave-shape rail fence", "an expressway rubble super-fluid concrete retaining wall structure", and "an expressway concrete prefabricated block composite retaining wall structure". Suining-Xichong Expressway project won the Tianfu Cup gold medal in construction projects in Sichuan Province, and it went into operation and began to collect toll with Suining-Guang'an Expressway at the same time. The construction mode of Chengdu-Leshan Expressway expansion pilot section was approved by the Sichuan Provincial Department of Transportation and the pre-construction work has been steadily advanced. Shuangliu Xihanggang, Shuangliu Zongbao, Renshou County land pegging pilot project, Renshou Shigao, Gaotan and other BT projects and Renshou County Chengbei real estate have been operated smoothly, the projects' quality is under control, the progress is smooth.

- **Diversified development has brought great achievements**. The scale of energy and cultural media business has been expanding, 3 service areas and 6 gas stations have been put into operation during the year, the upgrading and renovation of existing gas stations have basically been completed, 100% stake of CSISCE was acquired, Chengdu-Chongqing CBB Fund Management Company was established, Renshou Bank is officially opened for business, the fund investment and management operation of Zhongxin Company was carried out steadily. The Group's diversified development has continued to move forward.

- **Achievements in financing**. The Company made full use of and capitalized on the advantages of its AAA-level main credit rating. Through the innovative financing methods and means, the Company's financing structure was optimized. The scale of direct financing was expanded over the year, the financing cost reached a new low, and the efficiency of capital utilization was obviously improved.

- **Governance has been improved continuously**. The Company won the Best Governance Award of 2016 China Financing Listed Companies; the Company's main credit was rated as AAA level and the rating outlook is stable. The Company's information disclosure for three consecutive years was assessed as outstanding by the comprehensive evaluation of Shanghai Stock Exchange. Through revising and perfecting company regulations like the Implementing Regulations on the Audit Committee of the Board of Directors, the Management System for Information Disclosure, the Administration Measures for Tendering and Bidding, and the Interim Measures for Capital Management, the institutionalization and standardization of corporate governance have been constantly improved, and the reform of "three systems": labor, personnel and assignment has achieved tangible results, the pattern of performance appraisal and linked distribution of contribution has been formed gradually, and the Group's development momentum has continuously been inspired.

PROSPECTS AND STRATEGIES

Never forget your passion and follow your dream. Standing at a new starting point, we are full of confidence that we will flourish in 2017, and there will be opportunities and challenges, hopes and difficulties.

In terms of the macroeconomic environment, the world economy, despite its overall recovery trend, still faces multiple risks and challenges such as lack of growth momentum, sluggish demand, repeated turmoil in financial markets, and continued downturn in international trade and investment. At the same time, China is actively adapting to the new normal form of economic development, and pushing forward the supply-side structural reform, although the economic growth has slowed down, it still maintained a high-speed growth, and its growth rate continues to rank the forefront among the world's major economies. At present, the "Internet+", "Made in China 2025"[14] and other strategies have achieved a good start, building moderately prosperous society, in-depth implementation of the national "Three Major Strategies"[15], promoting the development of new urbanization, all the above have brought a great opportunity for speeding up the construction of transport, forming a network rapidly, and created a better macroeconomic environment for the development of the Company.

In terms of regional economy, Sichuan Province is now promoting comprehensive innovation and reforming pilot areas, blending into the Belt and Road Initiatives and the Yangtze River economic zone construction, promoting the free trade pilot areas. Along with Chengdu Chongqing city group construction and other new favorable policies, Sichuan is facing unprecedented interacting and linked development opportunities. The development of regional economy will lead to the growth of regional transportation demand, and provide a good operating environment for the Group's expressway business. In addition, according to the "2017 Project Year" arrangement of Sichuan Province in 2017, Sichuan Province will continue to accelerate the construction of transportation infrastructure through the mode of "big infrastructure + PPP". It will provide support to the networking and integration of traffic infrastructure and expansion of the busy roads, at the same time, Sichuan Province has introduced policies like supporting enterprises to expand direct financing, supporting state-owned enterprises to grow better and stronger, and jointly promoting the province's five major economic zones, which will provide positive policy and relaxed financial environment for the diversified development of the Group's business.

[14] Made in China 2025: The national strategic plan for strengthening the high-end manufacturing industry announced by the State Council of the People's Republic of China on May 8, 2015, it is an action plan in the first decade of China's three decades strategy for developing into a manufacturing power

[15] Three Major Strategies: the Belt and Road Initiatives, the Beijing-Tianjin-Hebei coordinated development, the Yangtze River Economic Belt development

As for the development prospects of the industry, the transportation industry has accelerated the pace of development in the context of reform and development entering into a strategic opportunity period and fully building a well-off society stepping into a decisive stage: comprehensively deepening the transportation reform, constructing interlinked transport channels, building modern and efficient intercity transportation systems, creating unified, linked, integrated transport hubs, and promoting green and intelligent development of transport services, all these have gradually unfolded a vibrant industry development blueprint. During the 13th Five-Year Plan period, Sichuan will continue to accelerate the construction of expressway. By the end of 2020, the traffic mileage of the expressways in the Province will exceed 8,000 kilometers, the mileage of completed expressways and expressways under construction will reach 10,000 kilometers. High-speed channels will be built to link 5 economic zones and 4 major urban groups within or outside the Province. At then, the expressways will cover the cities that have a population of more than 100,000 in the Province, during such period, the whole traffic capacity and accessibility of the road network will be greatly enhanced, road network effect will continue to display, transportation needs will be further released, the Group's principle business will have more room for growth. During the reporting period, the Toll Road Management Regulations has been revised and submitted to the State Council, the Views on Deepening Investment and Financing System Reform, and the Executive Opinions on Further Implementation of the "Three Strategies"and Playing a Leading Role of Expressways have been introduced in succession, the Administrative Measures on Bidding and Tendering of Highway Construction Projects was formally implemented, the continuous improvement of policies and regulations will promote the rational and orderly development of the expressway industry.

While spotting opportunities, we also face challenges. Under the new normal situation, China's economy has changed from a high-speed growth economy to a medium-speed growth economy. The Group's management will face increased complexity and uncertainty of the economic environment and its influencing factors. With the changes in the development environment of the highway industry, the rapid growth model that can be achieved through matching investment and demand is not sustainable, in the context of green and ecological development has become the main direction of the current development of the industry, the development of the expressway industry needs to face the influence of factors such as environmental protection, comprehensive utilization of land, efficient supply of resources, rigid constraints are significantly enhanced, coupled with challenges such as the increased difficulty of raising low-cost funds, changes in various means and forms of transport with each passing day, the rapid growth of expressway construction and maintenance costs. The development of the industry faces numerous challenges.

Opportunity waits for no one and we will create our own destiny. In 2017, the Group will continue to implement a diversified development strategy that is highly relevant to the principle business, innovate the development model, enhance the development momentum, take the chance of the 20th anniversary of the Company, seize the opportunity, and create a greater glory, achieving rapid and sustainable development. First of all, the Group will continue to consolidate the fundamental position of toll road and bridge business in its diversified development, through the continuously fortifying meticulous management, strengthening foundation and body, and to achieve continuous improvement on the principle business's operation efficiency. Second, it will take the initiative to deepen the integration of industry and finance, do a good job on risk prevention and control, push forward financial investment and physical project investment, effectively put more projects into operation and enhance the Company's development potential. Third, the Company will actively promote the construction and management of key projects, improve quality and efficiency, ensure that the quality of the projects and the project management are excellent, and achieve investment efficiency and brand building, a win-win situation. Fourth, the Company will continue to deepen the reform, constantly strengthen the talent-oriented and innovation-driven development concept, and further stimulate the endogenous dynamic and vitality of the Company's development.

The wind is blowing, the waves are roaring, the burden is heavy, the road is long, we shall make good preparations for the tasks ahead. Standing on a new historical starting point, we shall forge ahead, overcome all kinds of difficulties and challenges, work hard to promote the healthy and sustainable development of the Group. Let us pioneer and innovate, march forward courageously, lay a good foundation for sustainable development, and make another splendid achievement in the Company's history.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to all investors, clients, business partners and the public for your support and trust. We are grateful to the directors, supervisors, management, and the staff for their hard work over the past year.

Zhou Liming
Chairman

Chengdu, Sichuan, China
March 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gan Yongyi
Vice Chairman and General Manager

1. BUSINESS REVIEW AND ANALYSIS

(i) Results overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and implements diversified operation which is highly related to our main business. The business covers five major segments, namely the "toll roads and bridges", "financial investment", "city operation", "construction" and "energy and cultural media". During 2016, facing the slowdown in macroeconomic growth, the Group, through implementation of various measures including fine management, and strict cost control, innovates, improves quality and efficiency, and keeps raising the operation management level, so as to achieve a steady improvement in group operating efficiency. Among which, the road network diversion, toll reduction policy is still being enforced and the performance of the newly opened Suiguang-Suixi Expressways is in pressure at the early stage. Under the influence of abovementioned unfavorable factors, the principal businesses of the Group still maintained an overall growth in the toll income and profit. It solidifies the fundamental position of toll roads and bridges segment under the diversified development strategy of the Group. At the same time, the Group is strongly developing related diversified businesses. Businesses such as the investment and construction of BT projects, financial investment and energy sales are steadily growing. The Group's risk-resisting ability and potential in sustainable development are keeping on strengthening.

In this Year, the net revenue of the Group amounted to approximately RMB10,211,134,000, representing a decrease of approximately 11.16% year-on-year, among which the net toll income amounted to approximately RMB2,849,045,000, up approximately 3.79% year-on-year; the net revenue from construction contracts amounted to approximately RMB4,311,380,000, down approximately 24.73% year-on-year (including the construction contracts revenue of approximately RMB2,152,569,000 from Suiguang-Suixi Expressways BOT Project, which was recognized according to the HKFRSs, down 48.04% year-on-year); the net revenue from operation of gas stations along the expressways and sales of petrochemicals and other oil products amounted to approximately RMB2,889,050,000, representing a decrease of 1.44% year-on-year. Revenue from other income and gains amounted to approximately RMB115,428,000, up 23.77% year-on-year. The profit attributable to the owners of the Company was approximately RMB1,056,584,000, representing an increase of 4.97% year-on-year. Basic earnings per Share were approximately RMB0.346 (2015: approximately RMB0.329). As at 31 December 2016, the Group's total assets amounted to approximately RMB36,351,121,000 and net assets amounted to approximately RMB13,884,032,000.

During the Reporting Period, the income and profit of the major branches or subsidiaries are as follows:

	Income for 2016 (after revenue taxes) *(RMB'000)*	Year-on-year increase/ (decrease) in income for 2016 *(%)*	Profit/(loss) for 2016 *(RMB'000)*	Year-on-year increase/ (decrease) in profit/(loss) for 2016 *(%)*
Chengyu Branch *(note 1)*	810,427	(4.09)	300,876	1.02
Chengya Branch *(note 1)*	773,866	4.28	348,238	4.23
Chengren Branch *(notes 1, 2)*	680,901	6.91	152,154	75.16
Chengle Company	443,186	1.12	249,715	14.42
Chengbei Company *(note 3)*	93,760	12.86	43,632	37.04
Suiguang-Suixi Company *(note 4)*	47,048	N/A	(103,352)	N/A
Trading Construction Company *(note 5)*	2,248,076	(36.70)	87,375	(29.67)
Shugong Testing Company	20,041	(37.17)	265	(71.72)
Shunan Company *(note 6)*	132,217	925.14	(34,659)	(24.02)
Renshou Shunan Company *(note 7)*	504,062	(2.79)	95,475	39.05
Shuhong Company *(note 8)*	4,238	(88.15)	1,194	(85.85)
Shurui Company *(note 8)*	14,046	(55.05)	96	(80.41)
Shuxia Company	55,517	18.79	18,057	(3.27)
Chengyu Advertising Company	5,455	14.99	(150)	(22.68)
Shuhai Company *(note 9)*	N/A	N/A	15,328	(10.81)
Chengya Oil Company *(note 10)*	746,967	18.93	38,690	35.42
Zhonglu Energy Company	2,146,993	(8.01)	23,000	(9.91)
Renshou Landmark Company	27,845	N/A	(95,495)	(1.79)
Chengyu Financial Leasing Company *(note 11)*	59,603	63.28	21,187	21.26

Notes:

1. 15% income tax was included when calculating profits for Chengyu Branch, Chengya Branch and Chengren Branch.

2. The increase of toll income contributed by the construction of Tianfu New District along Chengren Expressway, at the same time, the decrease of finance costs due to repayment of borrowings and adjustment of interest, brought about a significant growth in profit.

3. The toll income of Chengbei Expressway was affected by the construction last year, the decrease of finance cost due to repayment of borrowing this Year, the profit increased as compared to last year.

4. Suiguang-Suixi Expressway began to charge formally in October this year, it generates income and cost.

5. As the business volume for construction projects decreases this year, both the income and profit therefore decreased.

6. Shunan Company has a new Ziyang City South Avenue (資陽城南大道) interface project and the investment in the original Shuangliu Project is continuing, the investment income significantly increases this Year, the decrease of finance cost due to repayment of loan, and loss decreased by RMB10,956,000 in this Year.

7. Renshou Shunan Company is a wholly-owned subsidiary of Shunan Company. Renshou Project is still at the period of investment and construction this Year, the recognised return on investment and return on capital employed are higher than last year and its profit was increased.

8. Due to the approach towards the end of the Renshou Land-linked Pilot BT Project and the delay of Renshou No. 1 resettlement project due to relocation problem, the income and profit of Shuhong Company significantly decreased. Since Shurui Company mainly provided construction supports to Shuhong Company, the income and profit of Shurui Company also decreased.

9. Profit of Shuhai Company, a company engaged in investments management, came primarily from dividends distributed by subsidiaries it had invested in and changes of profit and loss attributable from associates.

10. The sales volume of oil increases this Year, and the gross profit of oil increases, and both income and profit of Chengya Oil Company increased.

11. Chengyu Financial Leasing Company is incorporated at 13 April 2015, in this Year, it is operated 4 months more than last year.

(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:

		Average daily traffic flow *(vehicles)*			Toll income (before revenue taxes) *(RMB'000)*		
Item	**Shareholding percentage** *(%)*	**2016**	2015	**Increase/ (decrease)** *(%)*	**2016**	2015	**Increase/ (decrease)** *(%)*
Chengyu Expressway	100	**22,158**	24,129	(8.17)	**821,983**	875,026	(6.06)
Chengya Expressway	100	**37,351**	33,238	12.37	**784,345**	767,937	2.14
Chengren Expressway	100	**30,444**	29,555	3.01	**690,442**	659,535	4.69
Chengle Expressway	100	**32,648**	31,350	4.14	**449,263**	453,834	(1.01)
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	**52,422**	39,682	32.11	**94,937**	86,026	10.36
Suiguang-Suixi Expressway (Note)	100	**7,725**	–	–	**47,151**	–	N/A

Note: Suiguang Expressway and Suixi Expressway have begun to charge toll at 0:00 on 9 October 2016. There is no comparable data in the corresponding period.

In 2016, the toll income (before revenue taxes) of the Group was approximately RMB2,888,121,000, representing an increase of approximately 1.61% as compared with last year. The percentage of the toll income to the Group's prime operating revenue (after revenue taxes) was approximately 27.90%, representing an increase of approximately 4.02 percentage points when compared with 23.88% last year. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's business of toll roads:

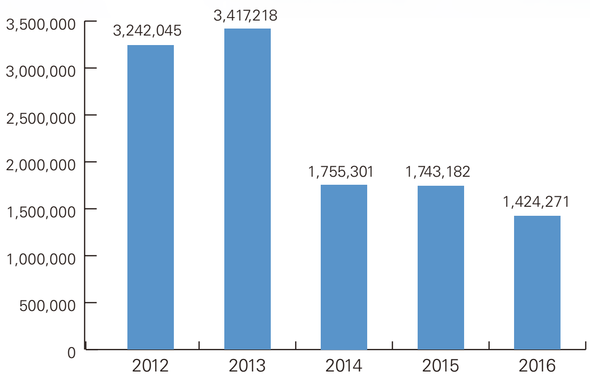
(1) Economic factors

Economy is a key factor affecting traffic demand. During the reporting period, China continued to advance the supply-side structural reform, vigorously promoted mass entrepreneurship and innovation, the national economy grew steadily, but the economic downward pressure still exists. In 2016, China's gross domestic product (GDP) reached about RMB74,412.7 billion, an increase of about 6.7%[1] year-on-year, and its growth rate dropped by 0.2 percentage points comparing with the previous year. The GDP of Sichuan Province reached about RMB3,268 billion, an increase of about 7.7%[2] year-on-year, such growth was slightly higher than the national average level, showing a steady development trend.

Affected by this macroeconomic environment, according to the statistical data analysis in the first 11 months in 2016, the number of highway passengers and demand for freight transport have declined year-on-year.

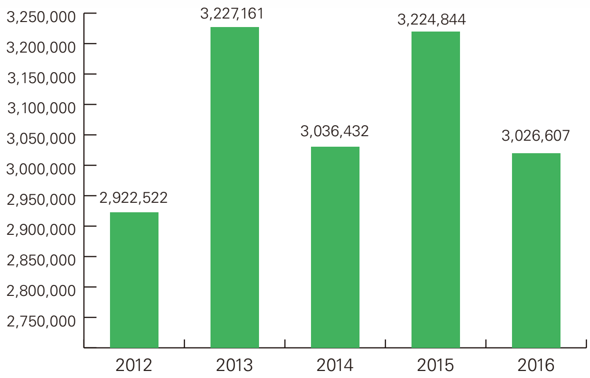
1 Data source: Preliminary results published by the National Bureau of Statistics of China
2 Data source: Preliminary results published by the Sichuan Provincial Bureau of Statistics

2012–2016 (until November) expressway passenger volume in total in PRC (10,000 People)



Source: Statistics from Ministry of Transport of the PRC

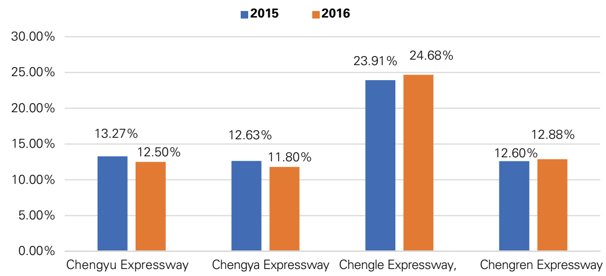
2012–2016 (until November) expressway cargo volume in total in PRC (10,000 ton)



Source Statistics from Ministry of Transport of the PRC

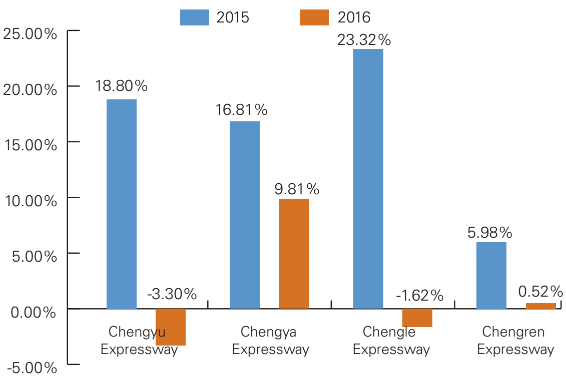
Reflected in the traffic flow on expressways, during the reporting period, in some of the Group's expressways, the growth of bus traffic declined, truck traffic in Chengyu Expressway yielded negative growth, but the total traffic flow in Group's expressways continues to grow. As the year-on-year growth of bus traffic declined and the truck traffic growth increased trivially, the overall increase of the Group's toll income is small, and is only 1.61%.

The proportion of the expressway freight flow of the Group in 2015 and 2016



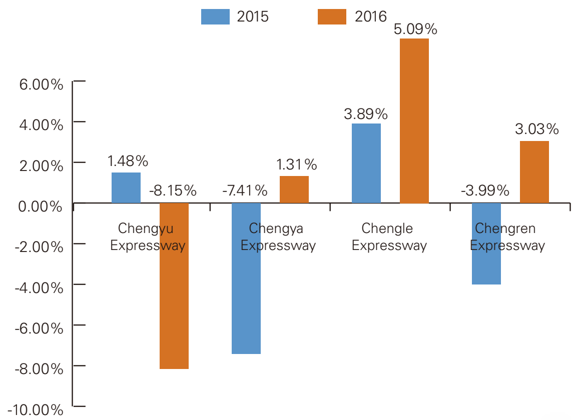
Note: The graphical information is prepared based on the compilation of the Group's internal information, so there are certain inaccuracies, investors are advised to use such information prudently.

Year-on-year growth of passenger coach flow of a portion highway of the Group in 2016



Note: graphical data was published by the summary of internal information of the Group, there were certain inaccuracies. Investors are advised to use such data with caution.

Year-on-year growth of goods wagon flow of a portion highway of the Group in 2016



Note: graphical data was published by the summary of internal information of the Group, there were certain inaccuracies. Investors are advised to use such data with caution.

(2) Policy factors

On 4 May 2016, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development jointly issued Chengdu-Chongqing Urban Agglomeration Development Plan (referred to as “Plan”), which clearly stated that by 2020, Chengdu-Chongqing urban agglomeration is expected to be a state-level urban cluster that enjoys economic vitality, excellent living quality, and beautiful ecological environment; by 2030, it will complete a historic leap from a state-level urban agglomeration to a world-class urban agglomeration. Focusing on the planning objectives, in terms of infrastructure interconnection, Chengdu-Chongqing urban agglomeration will build an integrated transport network, give priority to the construction of inter-city traffic network, and create 1-hour traffic circles between core cities, between core cities and surrounding cities, and between neighboring cities. At present, the Group’s expressway projects and related business operations are located in the hinterland of Chengdu-Chongqing urban agglomeration. The construction of Chengdu-Chongqing urban agglomeration will provide a broad space for the Group’s transportation infrastructure investment and construction business, and it will also help keep the traffic flow in the Group’s expressway steady growth.

During the reporting period, the free-of-charge policy of small passenger cars during holidays and easy access of fresh green products continued to be implemented, and its impact on the Group’s toll income still existed, but the impact is now stabilized.

During the reporting period, the Sichuan Expressway Electronic Toll Collection System (“ETC”) continued to implement a 5% discount policy. As of 31 December 2016, the number of the province’s highway ETC asers reached 1.8 million, an increase of 65% year-on-year. With the expansion of the ETC lanes and the substantial increase in the number of ETC users, the Group’s toll revenue has been affected.

During the reporting period, the Overload Control on expressways in Sichuan Province continued to be enforced. On 5 February 2016, the Highway Administration of Sichuan Provincial Department of Transportation issued the Notice on Further Strengthening Overload Control on Expressway Entrances, which strictly prohibited letting overload vehicles into expressways, and further strengthened the overload control on expressway entrances. On 21 September 2016, Sichuan Province began to implement a unified national overload control standard on trucks, due to the decline of truck loading standard, so that the truck toll decreased, which to some extent affected the Group's truck toll revenue.

(3) Factors in road network changes and road construction

Peripheral competitive or synergistic road network changes and road refurbishment will bring varying degrees of positive or negative impacts on the Group's expressways. During the reporting period, some of the Group's expressways were affected to varying degrees by these factors:

Chengyu Expressway: On 26 December 2015, Chengyu high-speed rail was put into service. As the rail is parallel to Chengyu Expressway, it causes the traffic flow in Chengyu Expressway to decline. On the same day, Zigong-Longchang Expressway was put into service, and as its end connects Chengyu Expressway, it diverts some vehicles from Zigong to Chongqing (passing by Neijiang), and reduces the mileage of such vehicles in Chengyu Expressway; In February and May 2016, the renovated construction of the section from Shipan to Shiqiao in Chengdu-Jianyang Fast Track and the Jianyang Red Day Bridge were completed and resumed toll free, attracting back flow of some vehicles on Chengyu Expressway. From 11 July 2016 to 22 September 2016, Zizhong toll booth was closed for construction, resulting in vehicle diversion.

Chengren Expressway, Chengle Expressway and Chengya Expressway: In February 2016, Chengdu-Renshou Fast Track was put into service, because of the overlapping of Chengdu-Renshou Fast Track and Chengren Expressway, the traffic flow in Chengren Expressway was partially diverted. In May 2016, the section between Pengshan to Meishan on Meishan Riverside Avenue was opened to traffic, it diverted some vehicles passing Meishan section on Chengle Expressway. From May to September 2016, Chengwenqiong Expressway and Qiong-Ming Expressway went into reconstruction, because they are parallel to Chengya Expressway, resulting in some of passing vehicles diverted to Chengya Expressway, bringing a certain traffic increment. From 15 May 2016, Chengmianle high-speed rail increased more trips on the section between Chengdu to Meishan, affected by this, the traffic on Chengle Expressway has decreased.

In August 2016, the Second Ring Expressway of Chengdu (2nd Ring) began to formally charge, due to the back flow from 2nd Ring to Chengyu Expressway, Chengya Expressway, and Chengren Expressway, it brought some traffic increment.

(iii) Operating condition of the Group's Engineering Construction sector and Urban Operation sector

Relying on the expertise and experience accumulated over the years in engineering construction, and using capital advantage, location advantage and brand advantage, the Group has made great efforts to expand the construction of highway projects, urban infrastructure and real estate development along the expressways, so as to promote the extension of the upstream and downstream industries and increase the overall profit of the Group. At present, the related projects invested by the Group include:

(1) Suiguang Expressway and Suixi Expressway BOT project

The Company held its first extraordinary general meeting in 2012 on 13 January 2012, in which it considered and approved the investment plan of Suiguang Expressway and Suixi Expressway BOT Project. With a total length of about 102.941km long, Suiguang Expressway begins at Jinqiao Interchange, overlapping Sichuan Mianyan-Suining Expressway, and ends at Redland Hub Interchange, overlapping Sichuan Nanguanglin (Nanchong – Guang'an – Linshui) Expressway. Suixi Expressway begins at Fushan Dam, Jixiang Town, Suining City, and ends at Taiping Interchange, overlapping Guangnan Expressway, a total length of about 67.644km. The Suiguang Expressway and Suixi Expressway BOT project has completed and began to charge toll at 0:00 on 9 October 2016. For details, please refer to the Overseas Regulatory Announcement – Sichuan Expressway's Announcemnt on Tolling and Operation of Suiguang Expressway and Suixi Expressway, which published by the Company on the website of HKSE on 10 October 2016.

(2) Renshou Land Pegging Pilot BT Project

On 28 January 2011, the Company held the 34th meeting of the fourth session of the Board of Directors, in which it considered and approved the proposal of investing in Renshou land pegging pilot BT project. In July the same year, Shuhong Company was established and specifically responsible for the implementation of the project. The project is located at Gaotan Village, Wenlin Town (county seat), Renshou County, Sichuan Province, a total of RMB280,270,000 was estimated to be invested in the project, involving a land area of about 4,848mu. The investment includes rural housing demolition within the project area, preparation works of construction at resettlement sites and supporting municipal roads, construction (about 112,700 square meters) of resettlement housing (including pre-work), and ancillary works of resettlement residential areas. From the date of commencement to 31 December 2016, Renshou Land Pegging Pilot BT Project had completed a total investment of about RMB251,000,000, accounting for 89.64% of the estimated total investment of the project.

(3) Shuangliu Xihanggang Phase 6 BT Project

On 13 January 2012, the Company held the 41st meeting of the fourth session of the Board of Directors, in which it considered and approved the proposal of investing and building Shuangliu Xihanggang Phase 6 BT Project, and Shunan Company was approved as the project company, responsible for the preparation, construction, and handover. On 17 January 2012, the Company won the bid for the project, the project included four roads: south extension line of Hangkong Avenue, east road of Zhonghaiyang, Konggang Fouth Road, and western extension line of Industrial Park Avenue, a total length of about 8.84km, The total estimated investment was approximately RMB616,070,000, among which, RMB163,030,000 was for land acquisition and demolition and RMB453,040,000 for expenses of construction and erection. From the date of commencement to 31 December 2016, Shuangliu Xihanggang Phase 6 BT Project had completed a total investment of about RMB325,000,000, accounting for 52.76% of the estimated total investment of the project.

(4) Shuangliu Zongbao BT Project

On 28 March 2012, the Company held the 42nd meeting of the fourth session of the Board of Directors, in which it considered and approved the proposal of investing in Shuangliu comprehensive loan BT project, and approved Shunan Company as the project company, responsible for the preparation, construction, and handover. On 6 April 2012, the Company won the bid for the project, which included a total of 3.23 kilometers road: Qinglan Road and south extension line of Shuanghuang Road, with a total estimated investment of RMB279,630,000, among which, RMB79,370,000 was for land acquisition and demolition and RMB200,260,000 for expenses of construction and erection. From the date of commencement to 31 December 2016, Shuangliu Zongbao BT Project had completed a total investment of about RMB192,000,000, accounting for 68.57% of the estimated total investment of the project.

(5) Renshou County Chengbei New City Real Estate Project

On 30 January 2013, the general manager's office meeting of the Company examined and approved the proposal of bidding for 3 state-owned construction land use rights at Chengbei New City, Renshou County, Meishan City, Sichuan Province to develop real estate project. On 22 February 2013, the Company won the bid, involving a land area of 235,558.10 square meters, the transaction price was RMB920,160,000. In May of the same year, Renshou Property Company was established, fully responsible for the development and construction of Renshou County Chengbei New City Real Estate Project. On 15 May 2014, Renshou Property Company once again won 5 state-owned construction land use rights, involving a land area of 194,810.52 square meters, the transaction price was RMB787,100,000. At present, the real estate project has completed and started for sale, as of 31 December 2016, the sales revenue was about RMB29,466,000.

(6) Renshou Gaotan BT Project

On 3 January 2014, the general manager's office meeting of the Company considered and approved the proposal of investing in Renshou Gaotan BT Project. On 15 January 2014, the Company won the bid and signed the Investment and Construction Contract on 28 January 2014, which included Gaotan Water Park, Gaotan Reservoir Road, Central Business Avenue Landscape, Tianfu Renshou Avenue, under-crossing tunnel of Lingzhou Avenue, Renshou Avenue expansion and other construction projects, the total estimated investment was about RMB2.472 billion (excluding land acquisition and demolition and up-front costs, the franchiser was responsible for land acquisition and demolition and other related work and costs). In order to reduce the investment risk and speed up the return on investment, after amicable negotiation, the Company and the Renshou County Housing and Urban Construction Bureau signed the Supplementary Agreement of the Agreement on Investment and Construction (referred to as "Supplementary Agreement") on 30 December 2015. The Supplement Aagreement stated that, adjusting and reducing Gaotan Water Park green landscape project and its internal road project, and construction project between Tianfu Renshou Avenue G213 to Renshou urban area, a total reduction of investment about RMB1.334 billion, the estimated total investment of Renshou Gaotan BT Project was reduced from approximately RMB2,472 million to approximately RMB1,138 million (please refer to the Overseas Regulatory Announcement – Notice on the Changes in Investment by Sichuan Expressway that published on the website of HKSE on 30 December 2015). Renshou Shunan Company was fully responsible for the project. As of the end of the reporting period, Tianfu Renshou Avenue expansion and green landscape project, the Central Business Avenue landscape project (including water diversion into the city) has completed the final acceptance; Gaotan Reservoir project has completed the final acceptance; under-crossing tunnel of Lingzhou Avenue and inner ring road and other projects have completed on-site construction. From the date of commencement to 31 December 2016, the Renshou Gaotan BT Project had completed a total investment of about RMB738,000,000, accounting for 64.85% of the estimated investment after the reduction of the project.

(7) Renshou Shigao BT Project

On 3 January 2014, the general manager's office meeting of the Company considered and approved the proposal of investing in Renshou Shigao BT Project. On 17 January 2014, the Company won the bid and signed the Investment and Construction Contract on 7 March 2014, which included Tianfu New District Renshou Shigao Economic Development Zone Shigao Avenue Second Section, Iron Avenue, Qingshui Road and Loop Line (including the No. 1 Main Road maintenance engineering), south of Zhanhua Road (including Commerial Street and Quanlong River Embankment), and Logistics Road (including Huahai Avenue rain sewage pipe network engineering) and other construction projects, the total estimated total investment was approximately RMB824 million (subject to the financial investment evaluated price). Renshou Shunan Company was fully responsible for the project. As of the end of the reporting period, Shigao Avenue Second Section, Commercial Street and Quanlong River Embankment remediation engineering, and Huahai Avenue rain sewage pipe network engineering had completed the final acceptance and audit; Iron Avenue (excluding non-demolition sections) and Loop Line (excluding non-demolition sections) have completed the construction. From the date of commencement to 31 December 2016, Renshou Shigao BT Project had completed a total investment of about RMB240,000,000, accounting for 29.13% of the estimated total investment of the project.

(8) Chengle Expressway Pilot Expansion Construction between Qinglongchang to Meishan Project

On 27 October 2016, the Company held the third meeting of the 6th Board of Directors, in which it considered and approved the proposal of implementing Chengle Expressway Pilot Expansion Construction between Qinglongchang to Meishan Project. According to the reply from the Sichuan Provincial Development and Reform Commission on the project's feasibility study, the project's total length was 28km, the construction should follow two-way eight-lane expressway standard, the project's estimated total investment was about RMB1.9856 billion (For details, please refer to the announcement of The Trial Section Project For Expansion Construction of Chengle Expressway published by the Company on the website of HKSE on 27 October 2016). The pilot project should take the measure of EPC, the preliminary design document and the budget proposal had been completed in the course of the project and approved by the Sichuan Provincial Department of Transportation. Other preparatory work for the construction of the project is progressing steadily. After the completion of the project, it will help to ease the traffic pressure on the section between Qinglongchang to Meishan on Chengle Expressway, improve the overall traffic capacity and service level of the Chengle Expressway.

(vi) Operating condition of the Group's Financial Investment sector

Based on the principle of combining production and financing, the Group aims at transferring the Group's credit advantage and industrial advantage into financial advantage. Taking a combination of measures to obtain low-cost capital, it will also deepen its cooperation with professional investment management institutions, make good use of equity investment function, adopt the development model of production which provokes financing and financing stimulates production, and integrate industrial capital and finance capital through multiple ways and layer to expand industrial and financial business. During the reporting period, the Group's main investment and financing are as follows:

(1) Mid-and-long term banking consortium loans

In order to ensure the construction capital of Suiguang Expressway and Suixi Expressway BOT Project to be ready in time, approved by the Company, the banking consortium loan contract of Suiguang Expressway and Suixi Expressway BOT Project was signed in December 2013, the State Development Bank was the leading bank. The total amount of syndicated credit was RMB8.33 billion, the lending banks included State Development Bank, China Construction Bank, Industrial and Commercial Bank of China and China Postal Savings Bank. As of 31 December 2016, the Company had withdrawn a total amount of RMB7.461 billion from the loan.

(2) Establishment and operation of the funds

Establishment and operation of the early-stage funds

On 24 December 2013, the 10th meeting of the fifth session of the Board of Directors of the Company examined and approved the proposal of cooperating with Development and Investment Company to carry out the business related to the industrial investment fund. Accordingly, Zhongxin Company was established on 6 January 2014, its registered capital was RMB10 million, the Company's wholly-owned subsidiary Shuhai Company and Development and Investment Company each invested RMB5 million, respectively, holding 50% of the equity. On 19 June 2014, the Company, Development and Investment Company and Zhongxin Company entered into a partnership agreement to jointly set up the Chengdu-Chongqing Development Fund with a total investment of RMB610 million. The Company, Development and Investment Company and Zhongxin Company respectively invested RMB300 million, RMB300 million and RMB10 million. Up to now, the funds jointly set up or managered by Zhongxin Company were: Chengyu Development Fund, Sichuan Panxi Strategic Resources Development Investment Fund, Sichuan Panxi New Materials Venture Capital Fund, Chengding Zhongxin No. 1 Private Equity Investment Fund, and Sichuan Provincial Intellectual Property Operation Equity Investment Fund. At present, the investment and financing operations of the above funds are progressing well.

Establishment of the current funds

On 27 October 2016, the general manager's office meeting of the Company considered and approved the proposal of establishing Fund Management Company and industrial M & A investment fund in cooperation with CCB Trust Co., Ltd. (referred to as "CCB Trust"). On 8 November 2016, the Company entered into a cooperation agreement (referred to as "Cooperation Agreement") with CCS Trust, pursuant to which, the Company and CCB Trust jointly funded the establishment of Fund Management Company with a registered capital of RMB20 million. The Company and CCB Trust each invested RMB10 million, respectively holding 50% of the equity. On 8 December 2016, Chengyu Jianxin Fund Company was established in Chengdu Hi-tech Zone. According to the Cooperation Agreement, the Company, CCB Trust and Chengyu Jianxin Fund Company will jointly set up a number of industrial M & A investment funds in the form of limited partnership, and as the manager of industrial M & A investment fund, the Chengyu Jianxin Fund Company would carry out debt investment, equity investment and other types of investment. The first industrial M & A investment fund is worth of RMB2.5 billion. The Company, CCB Trust, and Chengyu Jianxin Fund Company would invest RMB475 million, RMB2 billion, and RMB25 million, respectively, representing 19%, 80%, and 1%. The establishment of the Chengyu Jianxin Fund Company and the industrial M & A investment fund will further expand the Company's industrial investment capacity and broaden new business areas to find new profit growth points. For details, please refer to the announcement of the Discloseable Transactions about the Joint Establishment of Fund Management Company and the Joint Establishment of Industrial M & A Investment Fund, which issued by the Company on the website of HKSE on 8 November, 2016.

(3) Chengyu Financial Leasing Company

On 15 January 2015, the general manager's office meeting of the Company considered and approved the joint establishment of Chengyu Financing & Leasing Company with CSI SCE Investment Holding Limited. On 4 February 2015, the Company and CSI SCE entered into joint venture contract, pursuant to which, the registered capital of Chengyu Financing Leasing Company amounted to RMB0.3 billion, contributed as to RMB0.18 billion and RMB0.12 billion by the Company and CSI SCE respectively, owning 60% and 40% of the equity interest in Chengyu Financing Leasing Company respectively. On 13 April 2015, Chengyu Financing Leasing Company completed the industrial and commercial registration in Shenzhen City Market Supervision and Administration Bureau. On 31 May 2016, the Company completed the acquisition of CSI SCE, thus realizing 100% holding of Chengyu Financing Leasing Company. During the reporting period, for risk prevention and control, Chengyu Financing Leasing Company's target customers were mainly concentrated in the stateowned enterprises, listed companies, government platforms, the company actually launched 6 projects, a total investment of about RMB480,000,000. In 2016, Chengyu Financing Leasing Company achieved a net income of RMB59,603,000 and profit of RMB21,187,000.

(4) Acquisition of 100% stake of CSI SCE

In accordance with the approval of the general manager's office meeting of the Company, the Company entered into the Share Transfer Agreement with Dragon Stream Investments Limited (referred to as "DSI Company") on 31 May 2016, in order to establish a foreign investment and financing platform for the Company and further promote the combining production and financing. Pursuant to the Agreement, the Company invested RMB132,909,000 to acquire all the shares of CSI SCE held by DSI Company and completed the transfer registration of shares on the same day. As a result, CSI SCE became a wholly-owned subsidiary of the Company in Hong Kong and its business is principally engaged in the investment of joint venture companies and holding equity in joint venture companies.

(5) Issuance of Domestic Corporate Bonds and the Status of Going Public

In order to broaden financing channels, reduce financing costs, raise medium long-term funds needed for the development of the Company, and ensure the steady growth of the Company's operating efficiency, through analyzing the bond market and capital requirements, the Company held an extraordinary general meeting on 5 February 2015, considered and adopted the motion on the issuance of corporate bonds. On 8 July 2015, the Company received the Reply from CSRC on Approving the Public Issuance of Corporate Bonds to Public Investors by Sichuan Chengyu Expressway Co., Ltd., it approved the Company's public offering to public investors by way of installment, the total face value of the corporate bonds should be not more than RMB1 billion. On 17 June 2016, the Company publicly issued domestic corporate bonds with a total value of RMB1 billion and they were traded on the SSE on 11 July 2016. The bonds were referred to as 16 Chengyu 01 and bond code was 136493, the date of expiry is 17 June 2021 (For details, please refer to the relevant announcement issued by the Company on the website of HKSE). The issued corporate bonds, after deducting issuance costs, the actual raised money was RMB0.996 billion. As of 31 December 2016, RMB978,000,000 had been used, among which, loan repayment was amounted to RMB500,000,000, supplemental working capital was amounted to RMB478,000,000, which were consistent with the purpose, usage plan, and other commitments in the fund-raising proposal.

(v) Operating condition of the Group's Energy and Culture Media business

Energy and Culture Media is the Group's rapid growth business in recent years, mainly related to the gas station business along the Group's expressways and the assets, service areas, advertising management, and other businesses along the Group's expressways. During the reporting period, through the integration of resources along the expressways, the Group improved the service function, innovated the business model, and vigorously expanded the related industries such as oil sales, advertising and asset leasing. During the year, the net sales of gas stations along the expressways and the net sales income of petrochemical and other oil products were approximately RMB2,889,050,000 (RMB2,931,300,000 in 2015), representing a decrease of about 1.44% over the previous year; advertising along the expressways, asset leasing, service area supermarket chain and other net income were RMB74,224,000 (RMB53,390,000 in 2015), an year-on-year increase of about 39.02%.

2. FINANCIAL REVIEW AND ANALYSIS

Summary of the Group's Operating Results

	2016 ***RMB('000)***	2015 *RMB('000)*
Revenue, net	**10,211,134**	11,493,969
Including: Toll income, net	**2,849,045**	2,745,121
Construction contract revenue, net	**4,311,380**	5,727,655
Profit before tax	**1,436,843**	1,375,341
Profit attributable to owners of the Company	**1,056,584**	1,006,586
Earnings per share attributable to owners of the Company *(RMB)*	**0.346**	0.329

Summary of the Group's Financial Position

	31 December 2016 ***RMB('000)***	31 December 2015 *RMB('000)*
Total assets	**36,351,121**	33,458,356
Total liabilities	**22,467,089**	20,161,708
Non-controlling interests	**559,829**	777,382
Equity attributable to owners of the Company	**13,324,203**	12,519,266
Equity per share attributable to owners of the Company *(RMB)*	**4.357**	4.094

Analysis of Operating Results

Revenue

The Group's net revenue for the Year amounted to RMB10,211,134,000 (2015: RMB11,493,969,000), representing a decrease of 11.16% over last year, of which:

(1) The net toll income was RMB2,849,045,000 (2015: RMB2,745,121,000), representing an increase of 3.79% over last year, mainly due to the continuous regional economic development and the policy of national city agglomeration, Chengyu city agglomeration construction and the natural increase and partly return of traffic volume of the expressway. The above factors offset the negative impacts from competitive highways diversion, the carry out of Overload Control, toll-free holiday policy and ETC preferential policies. Please refer to pages 23 to 25 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) in respect of service concession arrangements was RMB2,254,608,000 (2015: RMB4,167,587,000), representing a decrease of 45.90% over last year, which resulting from RMB2,152,569,000 of construction revenue (2015: RMB4,142,461,000) from the Suiguang-Suixi Expressways BOT project recognised this year and RMB80,107,000 was recognised from Chengren Expressway relocation compensation and RMB21,938,000 of construction revenue (2015: RMB25,126,000) from reconstruction projects of toll station and gas stations along the expressway during the Year;

(3) Construction revenue (before revenue taxes) in respect of other construction and maintenance works performed amounted to RMB2,083,509,000 (2015: RMB1,687,977,000), which was the construction revenue recognized under the percentage-of-completion method in respect of the Renshou BT project, Baen project, Chengwenqiong projects and other projects;

(4) Revenue from operation of gas stations along expressways and net sales income of petrochemicals and other oil products amounted to RMB2,889,050,000 (2015: RMB2,931,300,000), representing a decrease of 1.44% over last year.

Other Income and Gains

The Group's other income and gains for the Year amounted to RMB115,428,000 (2015: RMB93,259,000), representing an increase of 23.77% as compared with last year. It was mainly attributable to the interest incomes from bank deposits which amounted to RMB28,573,000 (2015: RMB24,155,000), income from government subsidy amounted to RMB10,279,000 (2015: RMB6,721,000), income from expressway property compensation amounted to RMB23,431,000 (2015: RMB15,703,000). The gain of deposal of available-for-sale assets trust finance products was recognised to RMB8,911,000, it offsets unfavorable factor such as a decrease in dividend income from the available-for-sale investment.

Operating expenses

During the year, The Group's operating expenses for the Year amounted to RMB8,399,704,000 (2015: RMB9,732,073,000), representing a year-on-year decrease of 13.69%, of which:

(1) During the Year, construction contract costs recognized under the percentage of completion method in respect of service concession arrangements were RMB2,204,565,000 (2015: RMB3,988,276,000), representing a year-on-year decrease of 44.72%. This mainly included construction contract costs of RMB2,102,520,000 (2015: RMB3,963,150,000) from Suiguang-Suixi Expressway BOT project, RMB80,107,000 was recognised from Chengren Expressway relocation compensation, construction contract costs of RMB21,938,000 (2015: RMB25,126,000) from reconstruction projects of toll station and gas stations along the expressways;

(2) During the Year, the construction costs recognized under the percentage of-completion method in respect of construction contracts amounted to RMB1,817,793,000 (2015: RMB1,428,344,000), which mainly included the construction costs in respect of Renshou BT project, Baen project, Chengwenqiong project and the other projects;

(3) Depreciation and amortization expenses increased by 8.60% from RMB600,966,000 in last year to RMB652,642,000 this Year, which was mainly attributable to the fact that the Suiguang-Suixi Expressway franchise arrangement amortisation;

(4) The cost of sales of refined oil and petrochemical products was RMB2,728,643,000 (2015: RMB2,804,145,000), which represented a decrease of 2.69% as compared to last year;

(5) Staff costs increased by 5.56% from RMB591,089,000 in the previous year to RMB623,936,000 this Year. This was mainly due to the increases in total salary, various social insurances and housing accommodation fund paid in the Year and increased average salary for the employees in Chengdu;

(6) Costs of repairs and maintenance decreased by 12.57% from RMB226,967,000 in the previous year to RMB198,440,000 this Year, it is the costs for daily maintenance of expressways and subsidiary facilities of the Group.

Finance costs

The Group's finance costs for the Year amounted to RMB528,015,000 representing an increase of 5.90% as compared to last year, which is principally attributable to the commencement of operation of Suiguang-Suixi Expressway on 9 October 2016 and starting from the day of commencement of operation mentioned above, the interest payable is included in the finance cost.

Taxation

The corporate income tax expense of the Group for 2016 amounted to RMB294,950,000, representing an increase of 9.19% as compared to 2015. It was mainly attributable to the increase of pre-tax profit of each subsidiary.

Profit

The Group's profit for the Year amounted to RMB1,141,893,000, representing an increase of 3.32% as compared with RMB1,105,213,000 in the previous year, of which the profit attributable to owners of the Company was RMB1,056,584,000, representing an increase of 4.97% as compared to last year. This was mainly due to:

(1) The continuing development of regional economy, the rapid development of Chengdu Tianfu New District, the commencement of toll operation of Suiguang-Suixi Expressway, and the return and natural growth of traffic flow in expressways resulted in a year-on-year increase of RMB103,924,000 in toll net income for the Group's expressways this year, which offset the adverse impact from the increase of franchise arrangement amortisation, increase in cost of roads and facilities maintenance. Segment results of the toll fee for this Year was approximately RMB1,149,509,000, representing a year-on-year increase of RMB48,120,000;

(2) Renshou Gaotan BT Project, Renshou Shigao BT Project and Ba'en project are still in the investment and construction period, and the gross profit margin is relatively high, which partially offsets the impacts resulted from the construction project with lower gross profit margin. However, as the business volume for construction projects decreased this year, segment results of construction contract segment for the Year was approximately RMB272,226,000, representing a year-on-year decrease of RMB10,283,000;

(3) Despite the decline in sales of petrochemical products for the operation of gas station business along expressways this year, segment results of operation of gas stations segment reaches RMB112,980,000, representing a year-on-year increase of RMB14,998,000, due to the rise in sales volume of oils and the increase in gross margin;

(4) Renshou Trading Landmark Company Limited is still in the development and construction period of real estate. However, delivery conditions of some pre-sales unites have been met, the sales revenue and cost are recognized in this year, which have resulted a loss of approximately RMB15,164,000 for real estate development segment, representing a year-on-year increase in loss of RMB1,713,000;

(5) Segment results of advertisement and leasing business segment for the year is RMB51,612,000, representing a year-on-year increase of RMB8,658,000 on account of the growth in volume of financial leasing business, the increase in advertising income in service area along expressways and the expansion of self-operated business of chain supermarket in service area.

Analysis of Financial Position

Non-current Assets

As at 31 December 2016, the Group's non-current assets amounted to RMB27,093,916,000, representing an increase of 3.75% as compared with the end of 2015. The increase was mainly due to:

(1) The addition in property, plant and equipment of RMB118,203,000 for the Year;

(2) An increase of RMB2,254,608,000 in service concession arrangements, including recognition of RMB21,938,000 for reconstruction projects of toll station and gas stations along the expressways, an increase of RMB80,107,000 in Chengren Expressway relocation compensation and RMB2,129,759,000 for Suiguang-Suixi Expressway BOT projects;

(3) A total of RMB652,642,000 in provision of depreciation and amortization;

(4) An increase of RMB186,271,000 in investment in associates and joint venture, it is mainly attributed to the new investment in associates and joint venture and the increase of share of profit in associates and joint venture;

(5) A decrease of RMB155,509,000 in available-for-sale investments, it is mainly attributed to the redemption of fixed income trust finance products;

(6) A decrease of RMB118,690,000 in the loan to customers;

(7) A decrease of RMB111,736,000 in prepayment mainly due to investment in a company, it is mainly attributed to the transfer the prepayment to Renshou Bank to the investment in associates;

(8) Payment for purchasing land and acquired land use rights, transfer the land held for property development to property being developed and held-for-sale properties of RMB544,437,000.

Current Assets and Current Liabilities

As at 31 December 2016, the current assets of the Group amounted to RMB9,257,205,000, representing an increase of 26.05% as compared with the end of 2015, mainly attributable to:

(1) An increase of RMB825,334,000 in the closing balance of cash and cash equivalents as compared with the end of 2015, it is mainly due to the up-front funds of leasing, project funds recovered in this year and the redemption of finance products purchased from Guolian Trust for the same period as last year;

(2) A decrease of approximately RMB119,543,000 in inventories as compared with the end of 2015 mainly due to a decrease of approximately RMB129,284,000 in the spare parts and construction materials, offsetting impacts caused by the increase of petroleum products reserves;

(3) An increase of approximately RMB7,067,000 in prepayments, deposits, receivables and other receivables as compared with the end of 2015, mainly due to an increase of RMB148,417,000 in trade receivables, an increase of RMB39,822,000 in other receivables. It offsets the impact of the decrease of RMB158,372,000 in advance payment for materials and subcontract payment and decrease of RMB22,800,000 in deposits;

(4) An increase of RMB429,819,000 in loan to customers considering that funds of financial leasing receivables recovered within one year shall be categorized as current assets according to financial leasing contract;

(5) Properties under development increased by RMB362,347,000 as compared with the end of 2015, which was mainly attributable to the housing and land development costs in the Year.

As at 31 December 2016, the Group's current liabilities amounted to RMB7,145,402,000, representing an increase of 35.91% as compared with the end of 2015 which is mainly bank and other interest-bearing loan of RMB1,980,050,000, representing an increase of RMB705,500,000 as compared with the end of last year. It is mainly attributed to the reclassification of medium notes which will be mature within one year. In the Year, due to the increasing number of projects and increase of RMB1,044,162,000 of the settlement of delayed construction payables, trade and other payables increase RMB1,152,071,000. Income tax payables decrease approximately RMB111,258,000; minority shareholders dividend payables amounted to RMB141,599,000.

Non-current Liabilities

As at 31 December 2016, the non-current liabilities of the Group amounted to RMB15,321,687,000, representing an increase of 2.80% as compared to the end of 2015, which was principally attributable to an increase of RMB1,000,000,000 in corporate bonds for the development demand of the Group. At the same time, repayment of part of the long-term loans results in an increase in bank and other interest-bearing loans amounting to RMB417,185,000 for the Year.

Equity

As at 31 December 2016, the Group's equity amounted to RMB13,884,032,000, representing an increase of 4.42% as compared with the end of 2015, and is mainly attributable to (1) profit for the Year of RMB1,141,893,000 which increased the equity; (2) 2015 final dividend of RMB244,645,000 declared in the Year which decreased the equity; (3) an decrease in equity of RMB4,487,000 due to the adjustment on the fair value of available-for-sale financial asset; (4) acquisition of equity of minority shareholder in CSI SCE Investment Holding Limited of RMB132,960,000 which decreased the equity; (5) dividend payable to non-controlling shareholders of RMB172,417,000 which decreased the equity.

Capital Structure

As at 31 December 2016, the Group had total assets of RMB36,351,121,000 and total liabilities of RMB22,467,089,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 61.81% (2015: 60.26%).

Cash Flow

As at 31 December 2016, the closing balance of the cash and bank balance of the Group amounted to RMB3,893,078,000, representing an increase of approximately RMB825,334,000 over the end of 2015, including approximately HKD127,000 (equivalent to approximately RMB114,000) deposits in Hong Kong dollars, and RMB3,892,964,000 cash and deposits in Renminbi.

During the Year, net cash inflow used in operating activities amounted to RMB784,306,000 (2015: net cash outflow of RMB2,120,198,000), which was mainly due to a decrease of RMB1,853,601,000 in service concession arrangements as compared to last year. There is an increase of RMB513,129,000 in trade and other payables.

Net cash outflow from investing activities of the Group amounted to RMB7,744,000 (2015: net outflow of RMB480,055,000), with a decrease in net cash outflow of RMB472,311,000 over 2015. It was mainly attributable to the redemption of available-for-sale finance products purchase from Guolian Trust RMB150,000,000 last corresponding year, RMB107,393,000 in prepayment for investment to Renshou Bank last corresponding year, the expenditure for acquisition of CSI SCE RMB132,960,000.

Net cash inflow from financing activities was RMB48,772,000 (2015: RMB2,050,887,000), representing a decrease of RMB2,002,115,000 as compared with last year, which was mainly due to the increase of RMB1,193,323,000 of repayment of bank loans as compared with last year. There is a decrease of RMB566,000,000 of bank loans as compared with last year, a decrease of RMB200,000,000 in new issuance of bonds in the Year as compared with last year, and capital injection from non-controlling shareholders of a subsidiary of RMB120,000,000 last corresponding year.

Capital Commitments

Details of the Group's capital commitments as at 31 December 2016 are set out in note 34 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 did not use any financial instrument for hedging purposes during the Reporting Period.

Borrowings and Solvency

As at 31 December 2016, the Group's bank and other interest-bearing loans amounted to RMB17,205,129,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB11,782,629,000, with annual interest rates ranging from 3.92% to 4.90%; the balance of overseas bank loans was RMB1,484,000,000, with annual interest rates ranging from 4.55% to 5.23%; the balance of other loans amounted to RMB138,500,000, with annual interest rates of 4.28%; and the outstanding medium term notes amounted to RMB2,800,000,000, with annual interest rates ranging from 3.70% to 6.35%. The outstanding amount of corporate bonds is RMB1,000,000,000 with annual interest rates of 3.56%. The relevant balances are set out as follows:

Interest-bearing bank and other borrowings

	Total amount *RMB'000*	**Within 1 year** *RMB'000*	**From 1 year to 5 years** *RMB'000*	**Over 5 years** *RMB'000*
Loans from domestic commercial banks	11,782,629	990,050	2,306,602	8,485,977
Loans from overseas commercial banks	1,484,000	290,000	1,194,000	–
Other loans	138,500	–	138,500	–
Medium-term notes	2,800,000	700,000	1,800,000	300,000
Corporate bonds	1,000,000	–	1,000,000	–
Total (2016-12-31)	**17,205,129**	**1,980,050**	**6,439,102**	**8,785,977**
Total (2015-12-31)	16,082,444	1,274,550	6,073,602	8,734,292

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 RMB10.892 billion 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 2016, the balance of syndicated loan for the project amounted to RMB3,495 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 2016, the Company has withdrawn RMB7,461 million of such loan in aggregate.

Contingent liabilities and pledge of assets

As at 31 December 2016, the Group's time deposits of RMB11,815,000 (2015: RMB11,685,000) were pledged to secure Chengren Expressway BOT Project; time deposits of RMB56,450,000 (2015: RMB112,150,000) was pledged for bank loan; the concession rights to collect toll income pertaining to Chengle Expressway with the net carrying values of RMB950,626,000 (2015: RMB1,002,934,000) were pledged to secure bank loans amounting to RMB106,400,000 (2015: RMB106,400,000); the concession rights to collect toll income pertaining to Chengren Expressway with net carrying value of RMB7,208,863,000 (2015: RMB7,270,918,000) was pledged to secure the syndicated loan amounting to RMB3,495,129,000 (2015: RMB3,768,444,000); the concession rights to collect toll income pertaining to Suiguang-Suixi Expressways with net carrying value of RMB12,358,860,000 (2015: RMB10,266,715,000) was pledged to secure the syndicated loan amounting to RMB7,461,100,000 (2015: RMB6,676,100,000), the lease receivables with net carrying value of RMB277,425,000 (2015: RMB313,100,000) was pledged to secure the bank loan amounting to RMB220,000,000 (2015: RMB100,000,000). Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2016.

3. BUSINESS DEVELOPMENT PLAN

Based on the analysis on the operating situation, policy environment and development status of the Company in 2017, we have formulated the following work plan around the overall development plan of the Group's 13th Five-Year Plan and the specific business objectives of 2017:

(1) The Company will focus on the main business, continue to consolidate the fundamental position of toll road and bridge business in the Group's development. On the one hand, it will improve daily operation and management of the existing expressway assets, take meticulous management measures, perfect main business, and continue to enhance its profitability. By strengthening the management of tolling, the Company will take more technical means and set up a permanent mechanism to prevent the escape of tolls, as a result, achieving tolling increase; by promoting intelligent traffic construction, it shall speed up the construction of expressway Internet big data platform, implement the reconstruction of communication system truck network, expand the scope of application of charge card at the entrance of toll station to reduce operating costs, and improve the efficiency and capacity of road traffic; by upholding the concept of road life-cycle maintenance, the Company will reasonably use maintenance funds, adopt new technologies, new materials, new crafts, and constantly improve the maintenance and management to maintain smooth expressways. On the other hand, it shall continue to focus on growing the scale of the Group's main business, and vigorously reinforce its fundamental position in the Group's development strategy. Through the innovate investment, merger, and acquisition, making good use of the Group's capital advantage, the Company will beef up mergers and acquisitions of high-quality road resources within and outside the province to ensure the Group's main business healthy and sustainable development.

(2) The Company will safely and efficiently promote the development of financial investment business, accelerate the operation of Chengyu Jianxin Fund project, and put the investment of Zhongxin fund company's reserve project into operation as soon as possible, vigorously carry out Financial Leasing Company's transportation industry chain leasing business, and expand the size of its asset. At the same time, relying on the advantages of the Company: A+H-share capital platform, through the screening, it will lock a number of high-growth financial industry and industrial chain projects, and steadily develop various types of financial investment and equity investment business.

(3) The Company will solidly promote the construction of key projects. It will speed up the construction of experimental section of Chengdu-Leshan Expressway expansion, steadily promote the development progress of Renshou County Chengbei New City real estate project, strengthen project management, and optimize the development approaches to ensure cash flow balance and achieve benign progressive development of projects. It will continue to improve the construction and management of Shuangliu Xihanggang, Shuangliu Zongbao, Renshou County land pegging pilot project, Gaotan, Shigao and other projects, and ensure the quality of projects, at the same time, do a good job of overall arranging and coordinating with the relevant owners to ensure the timely cash flow and safety of the projects, and achieve investment efficiency and brand building and a win-win situation.

(4) The Company will strengthen financial control, fundraising and financing. It will strictly manage financial budget, strengthen the control of costs, pay close attention to the rigid implementation, supervision and assessment of budgets. Also, it will pay close attention to all kinds of capital market trends, do a good job in risk prevention and control to ensure the safety of the Company's cash flow, give full play to the Group's advantage of AAA-level credit, and actively explore and implement financing and refinancing modes with higher efficiency and lower cost, timely start a new round of ultra-short and medium-term notes registration and issuance, optimize the Company's financing structure, take multiple measures to secure low-cost capital and ensure cash flow's support for liabilities and financial resources's support to the Group's business development.

(5) The Company will deepen corporation reform, innovate enterprise management. Based on the Three Systems of labor, personnel and assignment, it will deepen the reform of market-oriented performance appraisal system, revise and improve objective assessment methods and incentive mechanism, and constantly stimulate the endogenous dynamic and vitality of the Company's development. The Company will further strengthen the talent-oriented strategy, increase talent pool, and provide human resources protection for the Company's solid development. It will innovate management, by strengthening the internal management innovation, human resources management innovation, further optimize and improve the modern enterprise management system, and upgrade the level of corporate governance.

Gan Yongyi
Vice Chairman and General Manager

Chengdu, Sichuan, China
March 30, 2017

CORPORATE GOVERNANCE REPORT

1. 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, excepting Mr. Ni Shilin was unable to attend the extraordinary general meeting of the Company held on 24 February 2016 in accordance with provision A.6.7 under the Corporate Governance Code due to urgent business engagement, and that Mr. Wu Xinhua, Mr. Ni Shilin and Mr. Chen Weizheng were unable to attend the extraordinary general meeting of the Company held on 26 July 2016 in accordance with provision A.6.7 under the Corporate Governance Code due to urgent 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. Until now, 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 risk management and 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 has further supplemented and improved the corporate governance rules, and has formulated and revised a number of corporate governance rules, including the Implementing Regulations on the Audit Committee of Board of Directors, the Management System of Information Disclosure, the Administration Measures for Tendering and Bidding, the Interim Measures for Capital Management, the Departmental Implementing Regulations on Interim Measures for Capital Management, the Interim Measures for the Administration of Financial Controller, the Interim Measures for Tax Administration, the Financial Reporting and Evaluation System, and other corporate governance systems.

(II) The responsibility statement of the Board on risk management and internal control

It is the responsibility of the Board of the Company to establish, perfect, and effectively implement risk management and internal control system, to assess and determine the risk nature and degree it would accept when the Group's strategic objectives are achieved. The Board is responsible for continuously supervising the Company's risk management and internal control system, including overseeing the management to design, implement and monitor the risk management and internal control system, and the annual review of the effectiveness of important monitoring procedures concerning finance, management, compliance and etc.; the board of Supervisors conducts supervision on the Board's establishment and implementation of risk management and internal control; the management is responsible for organizing and implementing the day-to-day operations of the Company's risk management and internal control, and providing the Board with validation on risk management and internal control system. It is also the Board's responsibility to ensure that the Company's resources and qualifications and experience of staff in respect of the Company's accounting, internal audit, and financial reporting functions and the sufficiency of training sessions for staff and relevant budgets. Instead of to eliminate, the Company's risk management and internal control system is designed to monitor and manage the risk factors that affect the Company's business objectives, and make reasonable but not absolute guarantee on no significant misrepresentations or losses.

(III) Sound establishment of risk management and internal control system of the Company

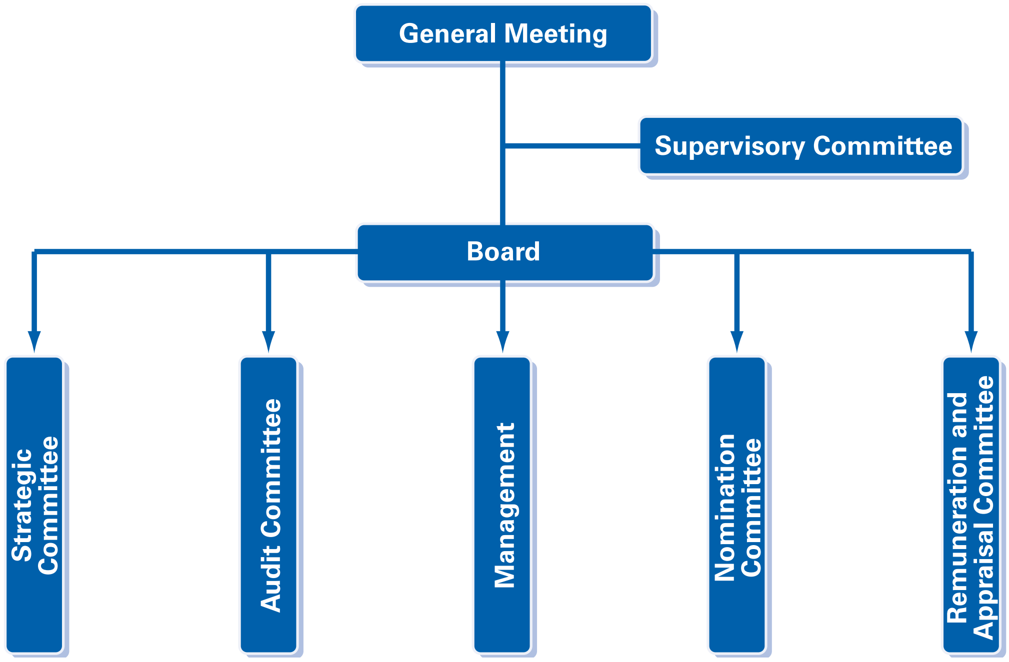
After years of operation and development, the Company has established a relatively comprehensive risk management and internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its risk management and 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, 2013, 2014, and 2015. In 2016, the overall operation of the Company's internal control system was good, in addition to healthy supervision, self-examination and re-examination, it has increased investment in internal control construction, and improved the supporting systems.

Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2016, the Board considers that, in terms of such businesses and matters as included in the scope of assessment, the Company had put in place risk management and internal control which had been implemented effectively with the Company's risk management and 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 its risk management and internal control system, and optimize the risk management and internal control system based on its existing system, and practically establish and implement a corporate risk management and internal control system with definite division between powers and obligations, scientific management and high efficiency.

2. 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 (Sichuan Transportation Investment Group) (holding 33.87% equity interest) and China Merchants Expressway 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.

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, and 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 it 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 much as possible to answer Shareholders' enquiries and discuss directly with Shareholders about the Company's business and prospect.

In 2016, the Company convened three general meetings. 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
The 1st extraordinary general meeting in 2016	24 February 2016	1. Resolution in relation to the Signing of the Construction Project Connected Transaction Framework Agreement between the Company and Trading Construction Company; 2. Resolution in relation to the Signing of the Construction Project Connected Transaction Framework Agreement between Trading Construction Company and STI; 3. Resolution in relation to the Signing of the Materials Purchase Connected Transaction Framework Agreement between the Company and STI; 4. Resolution in relation to registration of non-financial enterprise debt financing instruments and related matters.	All the resolutions were duly considered and passed
2015 Annual General Meeting	31 May 2016	1. Resolution in relation to profit appropriations and dividend distribution plan of the Company for the year 2015; 2. Resolution in relation to the domestic and overseas work report of the Board for the year 2015; 3. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2015; 4. Resolution in relation to the duty performance report of independent Directors for the year 2015; 5. Resolution in relation to the 2015 domestic and overseas annual reports and their summaries; 6. Resolution in relation to the Company's financial budget for the year of 2016; 7. 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 2016; 8. Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2016.	All the resolutions were duly considered and passed

Session and Number of Meeting	Date of Meeting	Name of Resolutions	Resolutions
2nd extraordinary general meeting in 2016	26 July 2016	1. Resolution in relation to the election of non-independent directors; 2. Resolution in relation to the election of independent directors; 3. Resolution in relation to the election of supervisors; 4. To consider and approve the remuneration plan of Mr. Zhou Liming as follows: He shall not receive remuneration from the Company for his executive directorship; 5. To consider and approve the remuneration plan of Mr. Gan Yongyi and Mr. Luo Maoquan as follows: Their remuneration includes fixed salary, performance salary and benefits, and the Board is authorized to determine their remuneration in accordance with the unified standards stipulated by the Sichuan Provincial Government State-owned Assets Supervision and Administration Commission (hereinafter referred to as "Sichuan Provincial SASAC") and the Company, and the views from the Remuneration and Appraisal Committee; 6. To consider and approve the remuneration plan of Mr. Zheng Haijun, Mr. Tang Yong, Mr. Huang Bin, Mr. Wang Shuanming and Mr. Ni Shilin as follows: They shall not receive remuneration from the Company for their non-executive directorship; 7. To consider and approve the remuneration plan of Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Yu Haizong and Ms. Liu Lina as follows: fixed remuneration of RMB80,000 per year (including tax); 8. Name of the resolution: To consider and approve Mr. Feng Bing's remuneration plan as follows: He shall receive remuneration from the Company not due to his supervisory duty but his management position. His remuneration consists of fixed wages, performance pay and benefits, which will be carried out in accordance with the unified standards stipulated by the Sichuan Provincial SASAC and the Company;	All the resolutions were duly considered and passed

Session and Number of Meeting	Date of Meeting	Name of Resolutions	Resolutions
		9. To consider and approve the remuneration scheme of Mr. Dan Yong, Mr. Ouyang Huajie and Mr. Meng Jie as follows: They shall not receive remuneration from the Company for their supervisory duties; 10. To consider and approve the remuneration plan for the employee supervisors of the 6th Supervisory Committee of the Company as follows: They shall receive remuneration from the Company not due to their supervisory duties but their other duties in the Company. Their remuneration consists of fixed wages, performance pay and benefits, which will be carried out in accordance with the unified standards stipulated by the Sichuan Provincial SASAC and the Company; 11. To consider and approve the service contracts of directors and supervisors and other related documents, authorize the Board to determine the amendments made before the finalization of such documents, and authorize any executive director to sign the service contracts of directors and supervisors and other related documents on behalf of the Company, to handle all related matters.	

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 2016, the Board consisted of 12 Directors. It was the sixth session of the Board since the establishment of the Company. The term of office of the Directors commenced from 26 July 2016 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 Section VIII "Profile of Directors, Supervisors, Senior Management and Employees" in this annual report.

The sixth 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 business administration, 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 8 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 corporate businesses, and the reasonable expenses incurred therefrom 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.

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, and 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 2016, the participation of Directors in continuing professional development activities is as follows:

	Type of Activity	
Name of Director	**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	✔	✔
Zheng Haijun	✔	✔
Tang Yong	✔	✔
Huang Bin	✔	✔
Wang Shuanming	✔	✔
Luo Maoquan	✔	✔
Ni Shilin	✔	✔
Sun Huibi	✔	✔
Guo Yuanxi	✔	✔
Yu Haizong	✔	✔
Liu Lina	✔	✔
Wu Xinhua (resigned)	✔	✔
Chen Weizheng (resigned)	✔	✔

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. Performance of duties for the 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 2016, the attendance of the Board meetings and general meetings by the Directors is as follows:

	Attendance of Board Meetings					Attendance of General Meetings
Name of Director	Required attendance in Board meetings during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Attendance in person/required attendance	Number of attendance/ meetings
Zhou Liming	8	8	3	0	8/8	3/3
Gan Yongyi	8	8	3	0	8/8	3/3
Zheng Haijun	4	3	2	1	3/4	0/0
Tang Yong	8	7	3	1	7/8	3/3
Huang Bin	8	7	3	1	7/8	3/3
Wang Shuanming	8	8	3	0	8/8	3/3
Luo Maoquan	4	4	2	0	4/4	0/0
Ni Shilin	8	5	3	3	5/8	1/3
Sun Huibi	8	8	3	0	8/8	3/3
Guo Yuanxi	8	8	3	0	8/8	3/3
Yu Haizong	8	8	3	0	8/8	3/3
Liu Lina	4	4	2	0	4/4	0/0
Wu Xinhua (resigned)	4	4	1	0	4/4	2/3
Chen Weizheng (resigned)	4	4	1	0	4/4	2/3

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

Number of Board meetings held during the Year	8
Of which: Number of physical meetings	5
Number of meetings held via communications	2
Number of meetings held by way of combination of both	1

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, and etc. During 2016, 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, profit distribution, nomination of directors and senior management and internal control, 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 2016 is 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 optimize 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 implementing 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.

The composition and duty performance of the committees during the period from 1 January 2016 to 26 July 2016 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	✔	2/2	–	–
Gan Yongyi	Executive Director	–	–	✔	0/0	–	–	✔	2/2
Sun Huibi	Independent non-executive Director	–	–	–	–	*	2/2	–	–
Guo Yuanxi	Independent non-executive Director	✔	4/4	–	–	✔	2/2	–	–
Chen Weizheng	Independent non-executive Director	✔	4/4	✔	0/0	–	–	*	2/2
Yu Haizong	Independent non-executive Director	*	4/4	–	–	–	–	✔	2/2

The composition and duty performance of the committees during the period from 26 July 2016 to 31 December 2016 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	–	–	*	1/1	✔	0/0	–	–
Gan Yongyi	Executive Director	–	–	✔	1/1	–	–	✔	0/0
Sun Huibi	Independent non-executive Director	–	–	–	–	*	0/0	–	–
Guo Yuanxi	Independent non-executive Director	✔	3/3	–	–	✔	0/0	–	–
Yu Haizong	Independent non-executive Director	*	3/3	–	–	–	–	✔	0/0
Liu Lina	Independent non-executive Director	✔	3/3	✔	1/1	–	–	*	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 recommendations 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 2016 as follows:

Written Report of the Audit Committee

The Audit Committee convened 7 meetings in 2016 and 2 meetings in 2017 (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 3rd meeting of the sixth session of the Audit Committee, which was 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's financial statements, accounts and periodical reports, and re-viewing 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 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 2015 annual financial statements and unaudited financial statements for the first half year of 2016 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2016 (according to the PRC GAAP), and making approval suggestions to the Board.

(2) Before the annual audit of 2016, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2016 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 2017 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, and the key audit matter of the auditor's report.

(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 2017 second meeting to consider the 2016 annual audit report of the Company and considered that the Group's 2016 annual financial statements can truly and correctly reflect the operation results of the Group for the year 2016, and the financial position as of 31 December 2016. It recommended the Board to make approval.

– *Risk management, internal control and corporate governance reviewing*

The Audit Committee is responsible for assisting the Board in reviewing the effectiveness of the Group's risk management and internal control. During the Year, the Audit Committee inspected financial control, internal audit, risk management and the progress of internal control construction. No impropriety in respect of financial reporting, internal audit, risk management, 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 2015 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 2016 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 2016 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 2017 respectively.

Yu Haizong, Guo Yuanxi, Liu Lina
Members of the Audit Committee

30 March 2017

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 submitting proposals regarding material investment and financing plans that are subject to the approval of the Board in accordance with the Articles of Association of the Company, material capital operations, assets operation projects, and 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 has carefully reviewed and approved the Company's projects such as Chengdu-Leshan Expressway Pilot Expansion Project. It has also given advice on strict compliance with the relevant laws and regulations, implementing relevant procedures concerning domestic and overseas listing rules. In addition, the Strategic Committee has carefully examine the implementation and completion of the "13th Five-Year Plan Development Strategy and Planning of Sichuan and Chongqing" in 2016.

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 Implementation Rules of the Nomination Committee under the Board of Directors; 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 with regard to re-election, made recommendations for the re-appointment of Mr. Gan Yongyi as General Manager, Mr. Luo Maoquan, Mr. Liu Junjie, and Mr. He Zhuqing as Deputy General Manager, Mr. Zhang Yongnian as Secretary of the Board and Mr. Li Wenhu as Financial Controller. Upon discussion, members of the Company's Board of Directors have been diversified in terms of age, cultural and educational background, professional experience, skills and knowledge.

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 matters concerning the re-appointment (for re-election) of Mr. Gan Yongyi as General Manager, Mr. Luo Maoquan, Mr. Liu Junjie, and Mr. He Zhuqing as Deputy General Manager, Mr. Zhang Yongnian as Secretary of the Board and Mr. Li Wenhu as Financial Controller, and submitted the proposed remunerations schemes to the Board 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 2016.

3. SUPERVISORY MECHANISM

(I) Supervisory Committee

As at 31 December 2016, the Supervisory Committee of the Company comprises 6 Supervisors, and is the sixth session of the Supervisory Committee since establishment of the Company. The term of office of Supervisors commenced from 26 July 2016 or the date of election of the Supervisors. Composition of the Supervisory Committee of the Company is 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 8 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.

(2) Risk management and internal control

A comprehensive and practicable risk management and internal control system is a foundation for good corporate governance. The Board is responsible for the establishment and improvement of risk management and internal control system 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 authorizes 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, the Company has set up the Discipline Inspection and Supervision (Audit) Department to introduce an independent internal audit system, and carry out analysis and independent assessment on the integrity and effectiveness of the Group's risk management and internal control system. During their work, the internal audit staff has the right to access the relevant information of the Company and inquire the relevant personnel. Manager of the Discipline Inspection and Supervision (Audit) Department reports the work results to the Audit Committee, and after review, the Audit Committee gives suggestions to the management of the Company, and follows up the implementation of the rectification plan. The Board has obtained the management's validation on the effectiveness of the Company's risk management and internal control system.

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 "Sound establishment of risk management and internal control system of the Company" in this section.

Through identifying, analyzing and responding the risk items in the business process of the Company, it ensures its steady and healthy development. In order to quickly identify risks and respond promptly, the management continues to focus on and monitor the operation of risk management and internal control system, and reports the quarterly monitoring results to the Board at least once a quarter. During the Reporting period, the Company has not taken any significant risks and has no significant monitoring errors or significant monitoring weak spots. Since March 2010, the Company has formulated the "Insider Management System" (revised for the first time in March 2012) to refine the management principles and requirements of inside information and insiders, thus further improving the Company's risk management system.

(III) Auditors

The financial statements included in the 2016 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.

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

Unit: RMB'000

Items	2016 Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants	2015 Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
Fees for audit/review of financial statements	**690**	**1,910**	690	1,910
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 2016 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 2016 respectively were approved by the Board and will be presented at the 2016 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 56 announcements concerning A Shares and 65 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 and Office of Supervisory Committee of the Company undertake 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 fulfills 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 presents its report and the audited financial statements for the year ended 31 December 2016.

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 1 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 2016 are as follows:

	Origin/destination	**Approximate length**	**Date of commencement of operations of the entire toll expressway**
Chengyu Expressway	Chengdu/Shangjiapo	226km	1 July 1995
Chengya Expressway	Chengdu/Duiyan	144km	1 January 2000
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
Suixi Expressway	Jixiang Town/Fushanba/ Taiping interchange	67.644km	9 October 2016
Suiguang Expressway	Jinqiao interchange/ Hongtudi interchange	102.941km	9 October 2016

Note: Chengren Expressway, Suiguang Expressway and Suixi Expressways are currently in the trial toll collection period and will commence formal charging according to the reported items as required upon the completion of the construction, subsequent examination and auditing of the projects.

BUSINESS REVIEW

The business review conducted in accordance with the specified items in Schedule 5 of Hong Kong Company Ordinance includes detailed descriptions of group business, revelation of the possible trend of development of the Group business, the analysis on key financial performance indicators as well as the introduction of the relationships between the Group and its employees, which were respectively included in the following sections of the Annual Report: "Chairman's Statement", "Management's Discussion and Analysis", "Corporate Governance Report", "Profile of Directors, Supervisors, Senior Management and Employees". The aforesaid discussions and analyses shall constitute an integral part of Report of the Directors.

The business review conducted in accordance with other specified items in Schedule 5 includes major risks and uncertainties faced by the Group, major events that produced significant influences on the Group after the close of the financial year of 2016, the introduction of the relationships between the Group and its customers and suppliers, the compliance of the Group with influential laws and regulations as well as the environmental policies and performances of the Company, which were included in this "Report of the Directors".

PRINCIPLE RISKS AND UNCERTAINTIES OF THE COMPANY

The risks faced by an enterprise refer to the impact of future uncertainties on the business objectives to be achieved by the enterprise. The Group is principally engaged in the investment, construction, operation and management of infrastructure such as toll roads. In recent years, with the rapid development and scale expansion of the Group's business, the risks faced by the Group are also increasing, primarily including policy risks, market risks, financial risks and management risks and others. The Company attaches great importance to the above risks, takes the initiative to identify, evaluate and respond to the risks arising during the course of business, and will gradually establish and improve the systematic risk management mechanism.

1. Policy risks and the corresponding measures

(1) Policy risks

a. Adjustment to tolling policy

The earnings of the Group were mainly derived from the operation and investment of toll roads. According to the relevant provisions of the "Highway Law", "the Regulations on Administration of Toll Roads" and "the Regulations for Expressways of Sichuan Province", the expressway company itself does not have the discretion pricing right concerning the tolling standard, the determination and adjustment to the tolling standard of the expressways under its management shall be reported to the provincial competent transportation authority and the commodities pricing bureau at the same level for their review and approval. In the event of significant changes in the operating environment, price level and operating costs and other factors, highway companies could apply for tolling adjustment, but there can be no assurance that the application may be approved in time. In addition, if the Government has introduced a new highway toll policy and the preferential policies of the toll, expressway companies should implement these policies in accordance with the provisions, which in turn to some extent will affect the stability of its operating efficiency.

b. Restrictions on terms of operation

According to the provisions of the "Regulations on Administration of Toll Roads", the tolling terms for toll roads shall be reviewed and approved by the people's government of the relevant province, autonomous region or municipality in accordance with the relevant standards. The term of toll collection of operational roads in central and western provinces, autonomous regions or municipalities designated by the State shall not be longer than 30 years. According to the documents approved by relevant competent department of Sichuan Province, the terms of toll collections of the existing roads under management by the Group, such as Chengyu Expressway, Chengya Expressway, Chengbei Exit Expressway, Chengle Expressway, will be expired in 2027, 2029, 2024, 2029, respectively (Chengren Expressway, Suiguang Expressway and Suixi Expressways, currently in the trial toll collection period, will commence to formal charging according the reported items as required upon the completion of the construction and subsequent examination and auditing of the projects). Therefore, in the event that the toll collection terms of the Group's existing expressways expire and the Company has no other newly constructed or acquired operational expressway projects replenish in a timely manner, it will adversely affect the Company's sustainable profitability and operating results.

(2) Corresponding measures

For policy risks, on the one hand, the Company should take the initiative to strengthen communication with and report to the competent governmental departments, so as to receive the support from the government support and recognition of the society; on the other hand, the Company should strengthen its corporate strengths to improve its risk resistance ability. To this end, the Company will make investments in new projects with good development potential and other measures, and by means of roll development, to promote the continuous growth of the asset scale and operating performance of the Company. In addition, the Company will, in accordance with the principle of proactiveness and prudence, make full use of its own advantages in management and technology and other resources, strive to develop city operation, construction, energy and cultural media and financial investments and other segments, to actively study and make an attempt on the industries and businesses relevant to toll roads and core business of the Company, and to implement the diversified development strategy highly related to the principal businesses.

2. Market risks and the corresponding measures

(1) Market risks

a. Risks relevant to macroeconomic fluctuation

Road traffic and turnover are highly correlated with gross domestic product (GDP). With respect to the expressway, macroeconomic fluctuations will result in changes of the transport capacity (representing the changes in road traffic flow and total amount of charges) required by the economic activities, which will directly affect the expressway company's operating performance. Although the long-term trend of steady economic development of China will not change, the current economic descending pressure should also be placed great emphasis on. New circumstances and new problems continuously arising in the international and domestic economic operation will also be a concern and challenge to China's economy. These factors will bring uncertainty to the operation of the Group's toll road projects.

b. Risks relevant to road network changes

To accelerate the construction of comprehensive transport hub in western Sichuan province to build up full-fledged urban transport, the government and transportation authorities aim to establish a comprehensive and convenient road network through revision and improvement of plans and designs of regional road network as appropriate and the initiatives such as constructing new expressways and fast lines. According to 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 province will reach 12,000 kilometers. During the 13th Five-Year Plan period, Sichuan will continue to accelerate the construction of expressway. By the end of 2020, the total mileage of operational expressways of Sichuan province will be over 8,000 kilometers, and mileage of completed and under construction will amount to 10,000 kilometers. A high-speed access connected inter-provincial and provincial five economic zones and four city clusters will be gradually formed, and then cities with population of more than 100,000 people in the province will be covered by the highway. The incremental stimulus generated by competitive or synergistic road network changes and short-term diversion and long-term network effects, to some extent will bring both positive or negative impact on the Group's expressways.

(2) Corresponding measures

For market risks, the Company will continue to track and analyze macroeconomic environment, national policies as well as the impact of regional economy where the road assets of the Company is located on the business and operation of the Company, and set up appropriate response strategies, striving to reduce the impact of macroeconomic fluctuations on the Company's business activities. Meanwhile, the Company will strengthen the communications with the Government and the peers, to timely understand road network planning, project construction progress and subsequent planning adjustment, and carry out network research and analysis in advance, so as to accurately master the traffic trends to ensure accuracy of operation and development strategic decisions of the Company.

3. Financial risks and the corresponding measures

(1) Financial risks

a. Potential tax risks

The potential tax risks of the Company mainly include two aspects: on the one hand, the tax activities of the Company may not comply with the provisions of the tax laws and regulations. The Company may face the risks of paying overdue taxes, fines, overdue fines, or suffering penalties and reputation damage in respect for its unpaid or less paid taxes for the taxable items; on the other hand, the applicable tax law for our business practices may not be appropriate. We may have paid more taxes or bear unnecessary tax burdens since we may have not taken full advantage of relevant preferential policies.

b. Financing risks

With the increase number of investment projects, the investment scale has maintained a rapid growth, the external financing needs of the Company gradually become bigger. Under the current monetary policy, the borrowing costs from domestic commercial banks are relatively higher, and the borrowings are limited by the control of lending scale and investment direction from the banks. In order to meet future development needs and make full use of its own advantages as A+H shares listed companies, the Company is actively exploring to construct a multi-level, multi-channel financing model, so to achieve maximum optimization of capital costs and financing structure. Besides, our efforts of exploring new financing methods and channels will inevitably involves a large number of previously unfamiliar regulatory policies, laws and regulations, and we may bear the relevant risks if we are not thoroughly familiar with them.

(2) Corresponding measures

In view of the potential tax risks, the Company has adopted more effective tax risk prevention measures. Firstly, strengthen the learning about tax laws, regulations and policies, actively seek for business guidance from tax collection and inspection authorities; secondly, hire tax consulting services agents to provide advices in respect of our tax activities; thirdly, design control measures for the potential tax risk points, and strengthen the inspection and control of the work process of tax business. In view of the financing risks, the Company has adopted the following risk control measures: Firstly, strengthen the training of relevant personnel to guide their continuous learning and growth; Secondly, establish strategic cooperative partnership with domestic and foreign financial institutions, and ensure mutual benefit and win through long-term stable cooperation; thirdly, appoint intermediaries when necessary to provide professional advice on the Company's financing decisions and implementation of financing programs.

4. Management risks and the corresponding measures

(1) Management risks

a. Daily operational risks and natural disaster risks

After the completion and opening of the expressways, regular maintenances of the road are needed to ensure good road condition. In case of large repair area or long maintenance time, traffic flow will be affected. In our operation, in the event of floods, landslides, earthquakes and other unforeseen natural disasters, expressways are likely to be serious damaged and cannot work normally for a period of time. In case of fog, severe snow and ice, the expressway will be closed partially or fully for a short time. Serious traffic accident may cause traffic jams or weaken the traffic capacity or damage roads or bridges. The emergence of these situations will directly lead to the reduction in toll revenue and increase in maintenance costs, so to affect the operating results of expressway companies.

b. Investment risks of expressway BOT projects

The characteristics of the expressway industry include large investment and long payback period. It is a typical capital-intensive industry. Therefore, the investment strategy and decision of the project are the key factors to determine the asset quality and profit level of the Company. The Group regularly reviews and adjusts the investment strategies and utilizes external professional reports such as Feasibility Study Report, Traffic Volume Forecast and Valuation Report to maximize the quality of project evaluation. However, due to the complexity of the external environment, when the main assumptions or basic data of the project changes, the actual effect of project investment may not meet the expectation.

c. Investment and construction risks of BT projects

BT projects mainly refers to those projects which are transferred to the government after completion of its investment and construction. The government will repurchase the projects at the agreed price, and thus we make profits; BT project largely depends on the local government's financial strength and financial balance, thus there are certain risks in the repurchase of BT projects.

(2) Corresponding measures

In view of the above management risks, the Company has continued and will continue to take the following preventive and responding measures: strengthen the preventative maintenance of roads and reasonably arrange for the implementation of the project; effectively carry on comprehensive management measures by virtue of traffic law, high-speed traffic police and road asset management; strengthen road inspection under special weather conditions and ensure good road condition as well as safe and smooth traffic condition; vigorously implement the collection, research, demonstration and reserve work of high-quality projects, make timely adjustment of the project investment strategy, and create more profit growth points for the Group; strengthen the researches for capital recovery risks of BT projects, further improve the terms of relevant repurchase guarantee contracts and reduce the capital recovery risks of BT project; in addition, we shall actively explore infrastructure investment cooperation under PPP model and continue promoting internal control system and improving the standardization, refinement level of the Group's management while strengthening the implementation efficiency and innovation ability, so to enhance the comprehensive management ability.

IN COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS

The business of the Group is mainly conducted by the subsidiaries of the Company in PRC. The Company is listed on the SSE and the Stock Exchange. During the reporting period, the Company successfully acquired 100% of the stake of CSI SCE (incorporated in Hong Kong), therefore, the Group shall comply with relevant laws and regulations in Mainland China, Hong Kong and the respective places of incorporation of the Company and its subsidiaries.

During the year and up to the date of this annual report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCES

The Group has set up a leading group for comprehensive environmental improvement led by the Chairman and established and completed relevant organizational structures and evaluation and examination systems for environmental improvement, energy saving and emission reduction, under which detailed rules were given in terms of specific work arrangement and requirements in each phase of environmental improvement, energy saving and emission reduction.

In 2016, in respect of controlling emissions, the Company strictly enforced the relevant standards and rules of environmental protection authorities, controlled and reduced the exhaustive emissions of vehicles used exclusively for road production and management; strengthened the management and treatment over wastewater in the service area, incorporated the wastewater of the service area into pipe network of the city to carry out the intensive management of treatment and discharge, and built its own sewage treatment system in line with national standards in the service area, the wastewater can be discharged upon meeting the drainage requirements. Besides, it provided waste separation recycling bins and temporary refuse collection point in the service area, actively recycled the construction waste for use, reduced exhaust pollution and resource consumption. With regard to the resource utilization, in curing of asphalt pavements of the Group's expressways, the Company extensively adopted the method of preventive overlaying pavement to reduce excavation volume. In construction, removed materials from the old pavement were stored at a designated site before being transported to villages, where they would be used for the sub-base or for future recycling. It also widely implemented energy conservation transformation at toll stations, the service areas and tunnels, promoted and utilized all kinds of energy-saving and environmentally-friendly products, enhanced the energy efficiency. The Company strongly advocated the environmental protection concept of "environmental protection is everyone's responsibility" and "act from oneself to reduce emissions and enhance energy efficiency", encouraged the employees to develop good environmental protection habits, and further completed the Office Automation System and promoted paperless office. In addition, the Company continuously enhanced management and maintenance of roadside landscaping facilities along expressways, conducted regular clearing of culvert ditches and emergency treatment for slope retaining walls to purify air, reduce noise, beautified the surroundings and prevent loss of water and soil; strengthened the supervision of vehicles conveying dangerous goods, formulated corresponding contingency plans, prevented environmental damage caused by contingencies; focused on the sustainable development of ecology; applied ecological environment protection throughout engineering design and construction.

The "Environmental, Social and Governance Report" required by the Listing Rules of the Stock Exchange will be published separately by the Company before 20 July 2017.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the audited financial statements on pages 105 to 188 herein.

Pursuant to the Articles of Association of the Company, 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, 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 joint-stock companies with limited liabilities 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.

The Board has recommended a final cash dividend for the year 2016 of RMB0.11 per share (tax inclusive), aggregating to approximately RMB336,387,000 and representing 47.79% of the distributable profit of the Company determined under PRC GAAP for the year and 32.12% 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 2016 AGM. If approved, the final dividend is expected to be paid on or around Thursday, 13 July 2017 to the Shareholders whose names appear on the H Shares register of members of the Company on Wednesday, 21 June 2017 (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 2016 AGM and to receive the proposed 2016 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 on the SSE by the Company.

DISTRIBUTION OF DIVIDENDS TO INVESTORS UNDER SOUTHBOUND TRADING LINK

According to relevant requirements in the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(Cai Shui [2014] No. 81), Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(Cai Shui [2016] No. 127), individual income tax (tax rate of 20%) shall be deducted by H Share companies from dividends received from investments in H Shares listed in the Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect by individuals and securities investment funds from Mainland China (excluding enterprise investors from Mainland China, which shall be declared by themselves).

An agreement will be entered into between the Company and China Securities Depository and Clearing Corporation Limited regarding the aforementioned dividend distribution arrangements to the investors under Southbound Trading Link, pursuant to which, China Securities Depository and Clearing Corporation Limited, as the nominal holder of H Shares for Southbound Trading Link, will receive cash dividend declared by the Company and distribute them to relevant investors under Southbound Trading Link through its registration and settlement system. Cash dividend received by investors under Southbound Trading Link shall be settled in RMB. The Dividend Entitlement Date, cash dividend payment date and other time arrangements for investors under Southbound Trading Link shall be in line with that of Shareholders of H Shares of the Company. China Securities Depository and Clearing Corporation Limited will distribute cash dividend to the investors under Southbound Trading Link within 3 Southbound Trading Link trading days after the cash dividend payment date.

Shareholders are advised that the aforesaid arrangements are not applicable in relation to the time and 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.

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				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
PROFIT BEFORE TAX	**1,436,843**	1,375,341	1,299,848	1,309,936	1,439,828
Income tax expense	**(294,950)**	(270,128)	(227,977)	(229,226)	(228,917)
PROFIT FOR THE YEAR	**1,141,893**	1,105,213	1,071,871	1,080,710	1,210,911
Other comprehensive income for the year, net of tax	**(4,487)**	(8,702)	30,170	(5,656)	2,361
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,137,406**	1,096,511	1,102,041	1,075,054	1,213,272
Profit attributable to:					
Owners of the Company	**1,056,584**	1,006,586	975,999	1,015,142	1,213,272
Non-controlling interests	**85,309**	98,627	95,872	65,568	29,980
	1,141,893	1,105,213	1,071,871	1,080,710	1,210,911
Total comprehensive income attributable to:					
Owners of the Company	**1,052,097**	997,884	1,006,169	1,009,486	1,183,291
Non-controlling interests	**85,309**	98,627	95,872	65,568	29,981
	1,137,406	1,096,511	1,102,041	1,075,054	1,213,272

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**36,351,121**	33,458,356	28,803,105	23,989,082	19,336,400
TOTAL LIABILITIES	**(22,467,089)**	(20,161,708)	(16,435,703)	(12,458,441)	(8,889,974)
NON-CONTROLLING INTERESTS	**(559,829)**	(777,382)	(601,375)	(526,138)	(193,200)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**13,324,203**	12,519,266	11,766,027	11,004,503	10,253,226

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 12 to the financial statements, which constitutes part of the Report of the Directors.

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 40 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB3,747,618,000, The Company's distributable reserves as at 31 December 2016 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

The combined revenue attributable to the five largest customers of the Group accounted for less than 30% of the total revenue of the Group during the Year.

SERVICE VENDORS

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business needs, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise equipment vendors, construction material vendors, oil products vendors, external consultants which provide professional services and other business partners which provide value-added services to the Group.

Total purchases attributable to the top five vendors and the proportion over total purchases for the Year is listed as below:

No.	**Name**	**Purchase**	**Percentage over the total annual purchase**
		RMB'000	*(%)*
1	PetroChina Yanchang oil sales Co., Ltd	1,237,633	15
2	China national petroleum co., LTD	817,981	10
3	China Petroleum and Chemical co., LTD Zigong Branch	424,933	5
4	SINOPEC Sichuan Sales Co., LTD	201,049	2
5	Sichuan XiangPu construction group co., LTD	65,531	1
Total		2,747,127	33

During the Year, none of the Directors and Supervisors or their close associates, or Shareholders who, to the best knowledge of the Directors and Supervisors own more than 5% of the issued share capital of the Company, have any actual interests in the top five service vendors of the Group.

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. Luo Maoquan *(Deputy General Manager)*

Non-executive Directors:
Mr. Zheng Haijun *(Vice Chairman)*
Mr. Tang Yong
Mr. Huang Bin
Mr. Wang Shuanming
Mr. Ni Shilin

Independent non-executive Directors:
Mr. Sun Huibi
Mr. Guo Yuanxi
Mr. Yu Haizong
Madam Liu Lina

Supervisors:
Mr. Feng Bing
Mr. Dan Yong
Mr. Ouyang Huajie
Mr. Meng Jie
Mr. Lin Binhai *(Deputy Party Secretary and Chairman of Labor Union)*
Mr. Hu Yaosheng

All the members of the Board and Supervisory Committee are appointed for a term of three years from the date of approval at the general meeting in 2016 where such appointments were considered and approved until expiry of the term of the sixth session of the Board and the Supervisory Committee on 26 July 2019.

The Company has received from each independent non-executive Director 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.

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, which constitutes part of the Report of the Directors.

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 2016, interests and short positions held by Directors, Supervisors and chief executives of the Company in Shares, underlying shares or bonds of the Company or its associated corporation (as defined in Part XV of the SFO) that, by virtue of Parts 7 and 8 of the SFO, which shall be reported to the Company and the Stock Exchange (including interests and short positions, by virtue of the SFO or other regulations, deemed to be or treated as held by these directors, supervisors and chief executives); or any interests or short positions that shall be recorded in the register required to be kept under Section 352 of the SFO; or interests or short positions that, by virtue of Model Code as set out in Appendix 10 to the Listing Rules, shall be notified to the Company and the Stock Exchange, are as follows:

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
Zhou Liming	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Gan Yongyi	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Wang Shuanming	A Shares	Long position	5,100	0.0002%	0.0002%	Beneficial owner
Luo Maoquan	A Shares	Long position	10,000	0.0003%	0.0005%	Beneficial owner

MANAGEMENT CONTRACTS

Save for service contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

DIRECTORS' REMUNERATION

The remuneration of the Directors of the Company (including Executive Directors and Independent Non-executive Directors) on a named basis are set out in note 8 to the financial statements during the Year, which constitutes part of the Report of the Directors.

INDEMNITY PROVISION

Since March 2012, the Company has purchased liability insurance for Directors, Supervisors and senior management of the Company in relation to their performance of duties.

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

As at 31 December 2016, the following interests and short position of the Shares and underlying shares of the Company held by substantial Shareholders or other persons (other than the Directors, Supervisors and chief executives of the Company) 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	60,854,200	1.99%	6.80%	Beneficial owner
		Total:	1,035,914,278	33.87%	–	Beneficial owner
China Merchants Expressway Company	A Shares	Long Position	664,487,376	21.73%	30.72%	Beneficial owner

Save as disclosed above, as at 31 December 2016, 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.

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 (2015: RMB799,000).

(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 RMB11,544,000 (2015: approximately RMB11,313,000) to Zhineng Company as service fee. On 13 December 2016, the Company renewed the service agreement for a term of 2 years from 1 January 2017 to 31 December 2018, with a service charge of 0.4% of toll income or RMB15,000,000 per annum, whichever is lower.

(c) On 1 October 2010, the Company entered into a one year tenancy agreement with STI Group whereby the Company leased out a certain part of its office buildings to STI Group 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 to 1 October 2016 since 1 October 2012. At 1 October 2016, the tenancy agreement was extended at RMB2,442,000 per annum to 1 October 2017. During the year, the rental received from STI Group amounted to RMB2,442,000 (2015: RMB2,442,000).

(d) On 29 October 2015, the Company, Trading Construction Company and STI Group entered into continuing connected transaction framework agreement, 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 RMB551,895,000, which was below the cap amount of RMB1,010,000,000.

During the year, Trading Construction Company was engaged by the subsidiaries of STI to conduct 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 RMB1,121,143,000, which was below the cap amount of RMB1,400,000,000.

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 RMB72,206,000, which was below the cap amount of RMB180,000,000.

(e) On 24 February 2016, the Company and PetroChina Sichuan Sales Branch, Zhonglu Energy (a subsidiary of the Company) and CNPCT Sichuan Branch, Zhonglu Energy and TCC entered into the agreements regarding the Refined Oil Agreement, the Refined Oil Carriage Agreement and the Material Purchase Agreement, respectively. Connected party transaction amounts recognised in this year are as below:

Pursuant to the Refined Oil Agreement entered into between the Company and PetroChina Sichuan Sales Branch, Zhonglu Energy agreed to purchase refined oil from PetroChina (Sichuan Sales Branch) for the year from 1 January 2016 to 31 December 2016. Purchase amount recognised during the year approximate to RMB818,077,000, which was below cap amount of RMB1,260,000,000.

Pursuant to the Materials Purchase Agreement entered into between Zhonglu Energy and TCC, Zhonglu Energy agreed to sell petrochemicals such as asphalt and refined oil and other raw materials to TCC Group for the year from 1 January 2016 to 31 December 2016. Sales amount recognised during the year approximate to RMB2,694,000, which was below cap amount of RMB30,000,000.

(f) On 26 August 2016, Renshou landmark and Sichuan trading real estate entered into Sales Agents Agreement, and had the following continuing connected transactions:

Pursuant to the Sales Agents Agreement entered into between Renshou Landmark and Sichuan trading real estate, Renshou Landmark agreed to entrust Sichuan trading real estate to conduct marketing planning for the Project Beichengshiddai for the year from 26 August 2016 to 31 December 2016. Sales commission recognised during the period approximate to RMB6,209,000, which was below cap amount of RMB6,400,000.

(g) On 27 October 2016, Zhonglu energy, PetroChina Yanchang and PetroChina Yanchang Yulin Branch entered into Chemical Products Agreement. And had the following continuing connected transactions:

Pursuant to the Chemical Products Agreement entered into between Zhonglu energy and PetroChina Yanchang, Zhonglu energy agreed to purchase a variety of chemical products from PetroChina Yanchang for the year from 27 October 2016 to 31 December 2016. Purchase amount recognised during the period approximate to RMB449,832,000, which was below cap amount of RMB1,500,000,000.

Pursuant to the Chemical Products Agreement entered into between Zhonglu energy and PetroChina Yanchang Yulin Branch, Zhonglu energy agreed to sale a variety of chemical products to PetroChina Yanchang Yulin Branch for the period from 27 October 2016 to 31 December 2016. No purchase amount recognised during the period and the cap amount was RMB500,000,000.

Further details of the Group's connected transactions during the year are included in note 35 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 41 to the financial statements, which constitutes part of the Report of the Directors.

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 2016 AGM. Auditors' remuneration is set out in note 7 to the financial statements.

CLOSURES OF REGISTER OF MEMBERS OF H SHARES

For the purposes of determining the shareholders' entitlement to attend the 2016 AGM and to receive the 2016 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 2016 AGM

Deadline for lodging transfer documents	4:30 p.m. on 5 May 2017 (Friday)
Closure period of the H Shares register of members	From 6 May 2017 (Saturday) to 6 June 2017 (Tuesday) (both days inclusive)
Record date	6 June 2017 (Tuesday)
Date of the 2016 AGM	6 June 2017 (Tuesday)

(b) In respect of the entitlement to 2016 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 15 June 2017 (Thursday)
Closure period of the H Shares register	From 16 June 2017 (Friday) to 21 June 2017 (Wednesday) (both days inclusive)
Dividend Entitlement Date	21 June 2017 (Wednesday)

In order to be entitled to attend and vote at the 2016 AGM, and to receive the 2016 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 separate announcement on the Shanghai Stock Exchange in respect of details of the arrangements regarding (i) the distribution of 2016 final dividend to the holders of A Shares and (ii) eligibility of the holders of A Shares for attending the 2016 AGM.

ON BEHALF OF THE BOARD

Chairman

Chengdu, Sichuan Province, the PRC
30 March 2017

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1. BASIC INFORMATION OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT 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	53	From September 2002 to present	Chairman and Executive Director	0.0
Gan Yongyi	Male	53	From March 2001 to present	Vice Chairman, Executive director and General Manager	42.6
Zheng Haijun	Male	58	From July 2016 to present	Vice Chairman and Non-executive Director	0.0
Tang Yong	Male	53	From March 2007 to present	Non-executive Director	0.0
Huang Bin	Male	49	From March 2013 to present	Non-executive Director	0.0
Wang Shuanming	Male	57	From March 2007 to present	Non-executive Director	0.0
Luo Maoquan	Male	52	From December 2006 to present	Executive Director and Deputy General Manager	34.8
Ni Shilin	Male	50	From August 2015 to present	Non-executive Director	0.0
Sun Huibi	Male	72	From March 2013 to present	Independent Non-executive Director	8.0
Guo Yuanxi	Male	66	From March 2013 to present	Independent Non-executive Director	8.0
Yu Haizong	Male	52	From March 2013 to present	Independent Non-executive Director	8.0
Liu Lina	Female	59	From July 2016 to present	Independent Non-executive Director	3.3
Feng Bing	Male	54	From June 2005 to present	Chairman of Supervisory Committee	42.6
Dan Yong	Male	47	From March 2013 to present	Supervisor	0.0
Ouyang Huajie	Male	48	From March 2007 to present	Supervisor	0.0
Meng Jie	Male	39	From July 2016 to present	Supervisor	0.0
Lin Binhai	Male	58	From August 2002 to present	Supervisor, Deputy Party Secretary and Chairman of Labor Union	34.8
Hu Yaosheng	Male	40	From February 2004 to present	Supervisor	9.2
Liu Junjie	Male	53	From February 2009 to present	Deputy General Manager	34.8
He Zhuqing	Male	40	From December 2013 to present	Deputy General Manager	34.8
Zhang Yongnian	Male	54	From August 1997 to present	Secretary to the Board	34.8
Tian Yi	Male	49	From December 2014 to present	Secretary of Discipline Inspection Commission	34.8
Li Wenhu	Male	39	From July 2015 to present	Financial Controller	34.8
Luo Zuyi	Male	43	From April 1998 to present	Member of the Party Committee	34.8
Wu Xinhua (resigned)	Male	50	From May 2013 to July 2016	Vice Chairman and Non-executive Director	0.0
Chen Weizheng (resigned)	Male	66	From May 2014 to July 2016	Independent Non-executive Director	4.7
He Kun (resigned)	Female	40	From May 2014 to July 2016	Supervisor	0.0
Jian Shixi (resigned)	Male	60	From August 1997 to July 2016	Supervisor and Chairman of Labor Union	5.8
Yang Jingfan (resigned)	Female	55	From March 2007 to July 2016	Supervisor	18.2

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

2. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 2 February 2016, Mr. Jian Shixi resigned as the Chairman of Labor Union of the Company due to retirement.

On 2 February 2016, Mr. Luo Zuyi was elected as a member of the Party Committee of the Company at the Party congress of the Company.

On 27 April 2016, Mr. Lin Binhai was elected as the Chairman of Labor Union of the Company at the Labor Union member congress. He concurrently serves as the Deputy Party Secretary of the Company.

On 22 July 2016, Mr. Lin Binhai and Mr. Hu Yaosheng were elected as staff representative Supervisors of the Supervisory Committee of the Company at the staff representative meeting of the Company.

At the 2016 second extraordinary general meeting of the Company on 26 July 2016, members of the Board of the Company, Mr. Wu Xinhua, a Non-executive Director, Mr. Chen Weizheng, an independent Non-executive Director, and members of the Supervisory Committee of the Company, Ms. He Kun, Mr. Jian Shixi and Ms. Yang Jingfan, resigned as Directors or Supervisors of the Company, due to the expiration of their term of office.

Upon consideration and approval at the 2016 second extraordinary general meeting of the Company on 26 July 2016, Mr. Luo Maoquan was appointed as the Executive Director of the Board of the Company; Mr. Zheng Haijun was appointed as the Non-executive Director of the Board of the Company; Ms. Liu Lina was appointed as the Independent Non-executive Director of the Board of the Company; Mr. Meng Jie was appointed as a Shareholders' representative Supervisor of the Supervisory Committee of the Company.

Upon consideration and approval at the meeting of the sixth session of the Board of the Company on 26 July 2016, Mr. Zheng Haijun was appointed as the Vice Chairman of the Board of the Company.

3. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Zhou Liming, aged 53, graduated from Southwest Jiaotong University and obtained a bachelor degree in engineering from Southwest Jiaotong University, a master degree in economics from Sichuan University and a doctor degree in management from Southwest Jiaotong University, holds the title of senior economist. He once served as 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, assistant to the Mayor of the Neijiang Municipal People's Government in Sichuan Province, Chairman of the Company, the general manager of Sichuan Highway Development, deputy general manager of STI, a chairman of Zhongxin Company, Sichuan Intelligent Transport Systems Management Company Limited (四川智能交通系統管理有限責任公司). Mr. Zhou is currently a director of STI, an adjunct professor of Southwest Jiaotong University, a chairman of Chengbei Company, and an executive director and the Chairman of the sixth session of the Board of the Company.

Mr. Gan Yongyi, aged 53, graduated from Chongqing Jiaotong College with a bachelor degree in civil engineering of road and bridge transportation and from Sichuan University with a master's degree in management and engineering. He is a first-class architect and a professor-level 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. (a company listed on the SSE) and Deputy General Manager of the Company. Mr. Gan is currently a vice chairman of Airport Expressway Company, Executive Director, Vice Chairman and General Manager of the sixth session of the Board and the general manager of the Company.

Mr. Zheng Haijun, aged 58, holds a master's degree and is a senior economist. He once worked for the General Office of the Ministry of Communications, and served as the general manager of Shenzhen Haihong Enterprise Company (深圳海虹實業公司) and the Administration Department of China Merchants Group, a director of China Merchants Holdings (Hong Kong) Company Limited and China Merchants Holdings (Shanghai) Company Limited, secretary of Party Committee and deputy general manager of China Merchants Highway Company(previously known as China Merchants Huajian Highway Investment Company Limited), the chairman of North China Expressway Company Limited (華北高速公路股份有限公司) (a company listed on the Shenzhen Stock Exchange), the vice chairman of Shandong Expressway Company Limited (山東高速公路股份有限公司) (a company listed on the SSE) and Heilongjiang Transportation Development Company Limited (黑龍江交通發展股份有限公司) (a company listed on the SSE), the vice chairman of the board of directors of China Merchants Holdings (Pacific) Limited, etc. He is currently the vice chairman of Guangxi Wuzhou Transportation Company Limited (廣西五洲交通股份有限公司) (a company listed on the SSE), Non-executive Director and Vice Chairman of the sixth session of the Board of the Company.

Mr. Tang Yong, aged 53, graduated from Sichuan Transportation School and Highway College of Chang'an University with master's degree in engineering. He is a professor level senior engineer. He has served as 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. (a company listed on the SSE), general manager of Sichuan Dayu Expressway Construction Development Co., Ltd., head of the Construction Management Division of DTSP, head of Comprehensive Planning Division of DTSP, and the Chairman of the Company. Currently he is a director of STI, the chairman of Sichuan Highway Development, a vice chairman of Airport Expressway Company and a Non-executive Director of the sixth session of the Board of the Company.

Mr. Huang Bin, aged 49, graduated from Southwest Jiaotong University with a bachelor degree in industrial and civil construction and from Southwestern University of Finance and Economics with a master's degree in business administration. He once served as 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 sixth session of the Board of the Company.

Mr. Wang Shuanming, aged 57, graduated from Dongbei University of Finance and Economics and Military Economics Academy with a master's degree, holds the title of senior accountant and certified public valuer. He has served as 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 DTSP, chief of the Management on Vehicle Purchase Surcharges Collection in Sichuan Province, and director and deputy general manager of Sichuan Highway Development Company Limited. He is currently the chief economist of STI, a director of Sichuan Highway Development and a Non-executive Director of the sixth session of the Board of the Company.

Mr. Luo Maoquan, aged 52, graduated from the Faculty of Law of Sichuan University, majoring in law. He has served as officer of the Policy Research Office of the DTSP, 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 and commander of the Sichuan Chengmian (Le) Expressway Construction Directorate. He is currently the director of Chengbei Company, Sichuan Chengya Expressway Oil Supply Company Limited and Sichuan Trading Construction Engineering Co., Ltd., the Deputy General Manager of the Company and an Executive Director of the sixth session of the Board of the Company.

Mr. Ni Shilin, aged 50, graduated from Tsinghua University and Delft IHE College, Netherlands with Graduate Degree and Master's Degree. He once served as a deputy general manager of China Merchants International Qingdao Company Limited (招商局國際青島公司), a deputy general manager in the joint venture, Qingdao Bay Container Terminal (青島前灣聯合集裝箱碼頭) (as a concurrent post), an assistant to the general manager of the China Merchants International Headquarters Project Management Division (招商局國際總部工程管理部), general manager of China Safety Commission Office (安委辦), a senior project manager of China Merchants International Port Management Division (招商局國際有限公司港口管理部), a deputy manager (audit) of China Merchants Shekou Port Company (蛇口招商港務公司), chief engineer, assistant manager and manager of China Merchants Shekou Ports Corporation Engineering Department (蛇口招商港務公司工程部), and an assistant engineer of the No. 3 Shipping Bureau under the Ministry of Transport, Non-executive Director of Anhui Expressway Co., Ltd. (a company listed on the Stock Exchange and SSE). Mr. Ni Shilin is currently the overseas business director, GM assistant and general manager of administration department of China Merchants Highway Company, director and deputy general manager of Zhejiang Shangsan Expressway Co., Ltd. and a Non-executive Director of the sixth session of the Board of the Company.

Mr. Sun Huibi, aged 72, 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 worked for the Electricity Bureau of Sichuan Province, the Economic Committee of Sichuan Province and the Planning Commission of Sichuan Province, and served as a deputy head, head and other positions. 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 non-executive 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 SSE). He is currently an Independent Non-executive Director of the sixth session of the Board of the Company.

Mr. Guo Yuanxi, aged 66, graduated from the Department of Economics of Sichuan University, is 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 and an economics researcher. He has served as 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 Deyang Municipal 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 SSE), Xinjiang Hops Co., Ltd. (a company listed on the SSE) and Wuliangye Yibin Co., Ltd. (a company listed on the Shenzhen Stock Exchange), an independent non-executive director of Chengdu Laoken Technology Co., Ltd. (成都老肯科技股份有限公司) and Guizhou Senrui Advanced Material Co., Ltd. Currently he is a professor, researcher and a doctoral supervisor of Southwestern University of Finance and Economics, and an Independent Non-executive Director of the sixth session of the Board of the Company.

Mr. Yu Haizong, aged 52, graduated from Southwestern University of Finance and Economics with a bachelor's degree, a master degree in economics (accounting) and a doctor 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 Tranvic 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) and Sichuan Jinyu Automobile City (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Chengdu Tianxing Instrument and Meter 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 Sichuan Jiuzhou Electronic Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and China Vanadium Titano-Magnetite Mining Company Limited (a company listed on the Hong Kong Stock Exchange), and an Independent Non-executive Director of the sixth session of the Board of the Company.

Ms. Liu Lina, aged 59, successively graduated from Chengdu Institute of Education (成都教育學院), Renmin University of China, holds a bachelor's degree and is a senior economist, a senior engineer and a senior policy advisor. She has successively served as a secretary of Party Committee and Discipline Inspection Committee and the general manager of Chengdu Industrial Equipment and Installation Company Limited (成都市工業設備安裝公司), a deputy secretary of Party Committee of Chengdu City Construction Investment Group Co., Ltd. (成都城建投資集團公司) and a director, deputy secretary of Party Committee, secretary of Discipline Inspection Committee and deputy general manager of Chengdu Construction Engineering Group Corporation, and an Independent Non-executive Director of the sixth session of the Board of the Company.

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

Mr. Feng Bing, aged 54, graduated from Xi'an Road College and obtained a bachelor's 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 secretary of Youth League committee of the direct body under the SPDT, deputy section chief and section chief 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 sixth session of the Supervisory Committee of the Company.

Mr. Dan Yong, aged 47, holder of bachelor's 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 is a senior economist and he has been the deputy head of the office of Highway Transport Management Bureau (during the term thereof he has 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 sixth session of the Supervisory Committee of the Company.

Mr. Ouyang Huajie, aged 48, graduated from the Accounting Department of Southwest Finance University, majoring in accounting with a bachelor degree, and Sichuan University with a master's degree in economics. He is a senior accountant. He has worked in state-owned Hongguang Electronic Tube Factory, Sichuan Tongya Industries Development Company, Sichuan Shuhai Communications Investment Company Limited and Sichuan Highway Development. He has been the director of Chengmian Expressway Company Limited, 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, general manager of Sichuan Transportation Investment Industrial & Financial Company Limited (四川交投產融控股有限公司), chairman of Shenyinwanguo Transportation Investment Industrial & Financial Investment Management Company Limited (申銀萬國交投產融投資管理公司). He is currently the deputy chief accountant and head of Financial Management Department of STI and a Supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Meng Jie, aged 39, holder of Master's degree in Engineering and Master's degree in Business Administration, senior engineer, registered consultation engineer (Investment). He has successively served as the general manager of First Department of Shares Management of China Merchants Highway Company, the deputy general manager of Corporate Management Department, a director of Guangxi Wuzhou Transportation Company Limited (廣西五洲交通股份有限公司) (a company listed on the SSE) and North China Expressway Company Limited (華北高速公路股份有限公司) (a company listed on the Shenzhen Stock Exchange), and other positions. He is currently a chief analyst and the general manager of Capital Operation Department Board Office of China Merchants Highway Company, holds a concurrent post as a director of Shandong Expressway Company Limited (山東高速公路股份有限公司) (listed on the SSE), Henan Zhongyuan Expressway Company Limited (a company listed on the SSE),Jiangsu Ningjingyan Expressway Company Limited (江蘇寧靖鹽高速公路有限公司) and a Supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Lin Binhai, aged 58, holder of a master's degree in public service administration of Southwest Normal University, 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 has served as a political commissar and party secretary of an arsenal factory of the People's Liberation Army, Secretary of Discipline Inspection Commission of the Company. He is currently a director of Chengya Oil Company and Trading Industry Company, a supervisor of Trading Construction Company and Shuxia Company, Deputy Party Secretary and Chairman of Labor Union of the Company and a Supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Hu Yaosheng, aged 40, successively graduated from the Department of Economic Management of Beijing Jiaotong University with a bachelor's degree in transport economics and from the School of Public Administration of Sichuan University with a master's degree in public administration. He is an economist. He once worked at the research office of transport economics and the financial department of the China Academy of Transportation Science. He currently serves as a supervisor of Shunan Company, the deputy director (presiding overall work) of the discipline inspection and supervision (audit) department of the Company and a Supervisor of the sixth session of the Supervisory Committee 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. Luo Maoquan, please refer to the biographies of Directors.

Mr. Lin Binhai, please refer to the biographies of Supervisors.

Mr. Liu Junjie, aged 53, 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 has 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 a director of Trading Landmark and Trading Construction Company and the Deputy General manager of the Company.

Mr. He Zhuqing, aged 40, graduated from Xi'an Jiaotong University with a doctoral degree in Management and is an associated researcher. Mr. He once 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 once served as the general manager of Investment and Development Department of China Merchants Highway Company, Executive Director of the Company, a director of Hubei Chutian Expressway Company Limited (湖北楚天高速公路股份有限公司) . He is currently a chairman and general manager of Chengyu Financial Leasing Company, director of CSI SCE and Chengyu Jianxin Fund Company (成渝建信基金公司), the chairman of Zhongxin Company, the Deputy General Manager of the Company.

Mr. Zhang Yongnian, aged 54, graduated from the Faculty of Law of Sichuan University. He has 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, director of Shuhai Company, the office chief of the board of directors of the Company, and a Director of the Company. He is currently a director of Airport Expressway Company, and the Secretary to the Board of the Company.

Mr. Tian Yi, aged 49, graduated from Kunming Army College and Macau University of Science and Technology with MBA Degree, and a master of Provincial Party School majoring in law. Mr. Tian Yi was the guard platoon leader of a frontline command of Chengdu Military Command, secondary battalion grade secretary of a materials purchasing and supply station of the Logistics Department of Chengdu Military Command, deputy section chief and section chief of the Department of Finance of Sichuan Province, and section chief and deputy head of the State-owned Assets Supervision and deputy secretary of Discipline Inspection Commission of the Company. He is currently a supervisor of Chengyu Financial Leasing Company, a supervisor of Airport Expressway Company and the Secretary of Discipline Inspection Commission of the Company.

Mr. Li Wenhu, aged 39, graduated from Southwestern University of Finance and Economics with the Financial Management and Capital Operation Master Degree. He is an accountant, a senior economist and a certified public accountant. He has served as the workshop technician, cost estimator, chief accountant and financial department manager of Xitieshan Mining Bureau of China National Non Ferrous Metal Corporation, Hubei Hanjiang Branch of Western Mining, Guangdong Branch of Western Mining and Qinghai Western Lead Co., Ltd. respectively, the financial controller of Sichuan Branch of Western Mining, the financial principal of Sichuan Huidong Mining Co., Ltd. of Western Mining, the financial controller of Inner Mongolia Co., of Western Mining, and the deputy director of financial management department (fund management center) of STI. Mr. Li Wenhu is currently the director of CSI SCE Investment Holding Limited, the director of Chengyu Financial Leasing Company and Chengyu Jianxin Fund Company (成渝建信基金公司), and the Financial Controller of the Company.

Mr. Luo Zuyi, aged 43, is a master of Business School of Sichuan University majoring in Business Administration., He is an assistant engineer. He has successively served as the deputy general manager of Sichuan Jiuzhaihuanglong Airport Co., Ltd. (四川九寨黃龍機場有限公司), secretary of the party committee and general manager of Chengyu Branch. He is currently a member of the Party Committee of the Company.

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

Mr. Wu Xinhua, aged 50, graduated from Renmin University of China majoring in National Economic Management. He was the general 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 director and the general manager of the investment banking division of China Merchants Securities Co., Ltd. (listed on the SSE). Mr. Wu had also served as a director or vice chairman of Anhui Expressway Co., Ltd. (a company listed on the Stock Exchange and SSE), 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, chief operating officer and deputy general manager of China Merchants Holdings (Pacific) Limited (listed on the Singapore Exchange). He is currently a deputy general manager and board secretary of China Merchants Highway Company, a director of Jiangsu Expressway Company Limited, a chairman of China Merchants Transport information Technology Co. Ltd. (招商局交通資訊技術有限公司), Yangguang Transport Media Company (央廣交通傳媒責任公司) and Guogao Network and Information Technology Co. Ltd. (國高網路宇信息技術有限公司) and a Executive Vice Chairman of CHTS-Expressway Operations Management Chapter. He retired as a Non-executive Director and a Vice Chairman of the fifth session of the Board of the Company as of 26 July 2016.

Mr. Chen Weizheng, aged 66, 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, committee member of First Advisory Committee for Policy Decision of the government of Sichuan Province and advisor in the science and technology advisory group of the government of Sichuan Province. He retired as a non-executive Director of the fifth session of the Board of the Company on 26 July 2016. He retired as a Non-executive Director of the fifth session of the Board of the Company as of 26 July 2016.

Ms. He Kun, aged 40, 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 ofChina Merchants Highway Company, project manager of the shareholding management No. 2 department and corporate management department. Ms. He had concurrently served as directors in Shandong Expressway Company Limited (山東高速公路股份有限公司) (listed on the SSE) and Zhejiang Shangsan 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 SSE), Sichuan Expressway Company Limited* (listed on the SSE), Hubei Chutian Expressway Company Limited (湖北楚天高速公路股份有限公司) (listed on the SSE), Fujian Expressway Development Co., Ltd. (福建發展高速公路股份有限公司) (listed on the SSE), Jiangsu Ningjingyan Expressway Co., Ltd. (江蘇寧靖鹽高速公路有限公司) and Jiangsu Guangjing Xicheng Expressway Co., Ltd. She is currently an assistant of general manager of China Merchants Highway Company corporate management department. She retired as a Supervisor of the fifth session of the Board of the Company as of 26 July 2016.

Mr. Jian Shixi, aged 60, 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 director of Chengbei Company and the Chairman of Labor Union of the Company. He retired as a Supervisor of the fifth session of the Board of the Company as of 26 July 2016.

Ms. Yang Jingfan, aged 55, 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 Division of the Company and the Manager of Discipline Inspection and Supervision (Audit) Department of the Company. She retired as a Supervisor of the fifth session of the Board of the Company as of 26 July 2016.

4. EMPLOYEES

As at 31 December 2016, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,582
Number of in-service employees of major subsidiaries	2,509
Total number of in-service employees	5,091
Number of retired or resigned employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	–

Composition by Expertise

Type of Expertise	Number of people
Production	3,504
Sales	28
Technical	628
Financial	185
Administrative	746
Total	5,091

Educational Level

Type of Education Level	Number of people
Postgraduate	175
University graduate	1,278
Junior college graduate	2,200
Technical secondary school and below	1,438
Total	5,091

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 basic salary (including 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 2016, the employees' salary of the Group totaled approximately RMB404,401,000 of which approximately RMB199,982,000 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 Labor 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 had organised various centralized and specific trainings such as job-specific skills for technicians and continuing education for professional technical staff. A total of 10,515 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.

1. WORK OF THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee held 8 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 17th Meeting of the fifth session of the Supervisory Committee	24 February 2016	1. The resolution in relation to the signing of Refined Oil Product Sales Contract between the Company and CNPC Sichuan; 2. The resolution in relation to the signing of the Petrochemical and Other Materials Purchase Connected Transaction Framework Agreement between Zhonglu Energy Company and Trading Construction Company.
The 18th Meeting of the fifth session of the Supervisory Committee	30 March 2016	1. The resolution in relation to the 2015 Work Report of the Supervisory Committee; 2. The resolution in relation to the adjustment of amortization rate used for right of management of highway; 3. The resolution in relation to the Scheme of Profit Distribution and Dividend Payment for 2015; 4. The resolution in relation to the 2015 domestic and overseas annual reports and their summaries; 5. The resolution in relation to the 2015 Internal Control Evaluation Report; 6. The resolution in relation to the 2015 Social Responsibility Report; 7. The resolution in relation to the 2016 Annual Financial Budget; 8. The resolution in relation to the re-appointment of ShineWing Certified Public Accountants as the domestic auditor of the Company for the year 2016; 9. The resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2016.
The 19th Meeting of the fifth session of the Supervisory Committee	28 April 2016	1. Examining the resolution in relation to the 2016 First Quarterly Report; 2. The resolution in relation to the extension of signing of Sale and Purchase Agreement of Fuel between Zhonglu Energy Company and CNPC.
The 20th Meeting of the fifth session of the Supervisory Committee	31 May 2016	1. The resolution in relation to the nomination of Supervisor Candidate of the sixth session of the Supervisory Committee and propose Supervisors' remuneration.

Meeting of the Supervisory Committee	Meeting Date	Topics
The 1st Meeting of the sixth session of the Supervisory Committee	26 July 2016	1. The resolution in relation to the election of Mr. Feng Bing as the chairman of the sixth Supervisory Committee of the Company.
The 2nd Meeting of the sixth session of the Supervisory Committee	30 August 2016	1. Examining the resolution in relation to the unaudited financial statements for the 6 months ended 30 June 2016, the 2016 interim report and its summary; 2. The resolution in relation to the non-distribution of 2016 interim dividend and not transferring capital reserve into share capital.
The 3rd Meeting of the sixth session of the Supervisory Committee	27 October 2016	1. The resolution in relation to the 2016 Third Quarterly Report; 2. The resolution in relation to the Construction Connected Transaction Framework Agreement entered into between Trading Construction Company and STI; 3. The resolution in relation to the Construction Connected Transaction Framework Agreement entered into between the Company and Trading Construction Company; 4. The resolution in relation to the Purchase Connected Transaction Framework Agreement entered into between the Company and STI; 5. The resolution in relation to the amendment to the extension of proposed signing of Sale and Purchase Agreement of Fuel between Zhonglu Energy Company and CNPC; 6. The resolution in relation to the signing of Chemical Product Sales Connected Transaction Framework Agreement between Zhonglu Energy Company and Yulin Company (榆林公司).
The 4th Meeting of the sixth session of the Supervisory Committee	22 December 2016	1. The resolution in relation to the signing of Sale and Purchase of Refined Oil Product Connected Transaction Framework Agreement between the Company and CNPC Sichuan; 2. The resolution in relation to the signing of the Petrochemical and Other Materials Purchase Connected Transaction Framework Agreement between Zhonglu Energy Company and Trading Construction Company.

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.

In 2016, the attendance of the meetings of the Supervisory Committee and general meetings by the Supervisors is as follows:

	Attendance of meetings of the Supervisory Committee					Attendance of general meetings
Name of Supervisor	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	8	8	3	0	8/8	3/3
Dan Yong	8	8	3	0	8/8	3/3
Ouyang Huajie	8	8	3	0	8/8	3/3
Meng Jie	4	2	2	2	2/4	0/3
Lin Binhai	4	3	2	1	3/4	0/3
Hu Yaosheng	4	4	2	0	4/4	0/3
He Kun (resigned)	4	4	1	0	4/4	2/3
Jian Shixi (resigned)	4	3	1	1	3/4	3/3
Yang Jingfan (resigned)	4	4	1	0	4/4	3/3

Number of meetings of the Supervisory Committee held during the Year	8
Of which: Number of physical meetings	5
Number of meetings held via communications	2
Number of meetings held by way of combination of both	1

During the Reporting Period, all Supervisors have attended the meetings of the Supervisory Committee 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.

2. 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.

3. INDEPENDENT OPINIONS FROM THE SUPERVISORY COMMITTEE ON THE COMPANY'S FINANCIAL POSITION

Having cautiously reviewed the Company's 2016 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 2016 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.

4. 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 fundamental 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 2016, the Board had issued the 2016 Assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2016 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.

5. INDEPENDENT OPINIONS FROM THE SUPERVISORY COMMITTEE ON THE COMPANY'S CONNECTED TRANSACTIONS

Save for the connected transactions disclosed in note 35 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
30 March 2016

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Sichuan Expressway Company Limited (the "Company") and its subsidiaries set out on pages 105 to 188, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
The Group had material and concentrated credit exposures in its portfolio of trade receivables as the Group's major customers in the construction contracts segment are the People's Republic of China (the "PRC") government agencies and other state-owned enterprises. The impairment assessment for trade receivables is a complex process involving significant management's judgement including their evaluation of customers' financial conditions and expected future cash flows from customers. The accounting policies and disclosures about the impairment assessment for trade receivables are included in Note 2.4, Note 3, Note 27 and Note 38 to the consolidated financial statements.	We assessed and tested the controls over the credit approval process and impairment assessments. We evaluated the methodologies, inputs and assumptions used by management in impairment assessment of trade receivables, especially those with material over-due balances. In order to evaluate these judgements, we analysed the customers' historical payment patterns and checked to the subsequent settlement. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved and attempts by management to recover the amounts outstanding and reports on the credit status of significant counterparties where available. We also assessed the adequacy of the disclosures regarding the impairment provisions for trade receivables and the Group's exposure to credit risk in the consolidated financial statements.
Construction contracts	
The Group derives a significant portion of its revenues from construction services that are accounted for by applying the percentage-of-completion ("POC") method. Revenue from construction contracts amounted to RMB4,311,380,000 during the year, which accounted for 42% of the Group's total revenue. The POC method involves the use of significant management judgement and estimates including the scope of deliveries and services required, total contract costs, remaining costs to completion, total contract revenues and contract risks. In addition, revenue, costs and gross profit realised on such contracts can vary (sometimes significantly) from the Group's original estimates because of changes in conditions. The accounting policies and disclosures about construction contracts are included in Note 2.4, Note 3 and Note 26 to the consolidated financial statements.	We assessed and tested the controls over process for contract revenue and costs recognition. We evaluated the key estimates made for significant projects by assessing the historical accuracy of management's estimates in previous periods, identifying changes in assumptions from prior periods and assessing the consistency of assumptions across projects. We obtained budgeted costs for each project and compared to the total actual costs incurred up to the end of the reporting period to check whether there was any cost overrun. We compared the project progress reports against the construction schedules to ensure that the construction works have been progressing according to the schedules as stipulated in the contracts. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Amortisation of service concession arrangements	
As stated in Note 2.4, amortisation of service concession arrangements is provided on a unit-of-usage basis ("UOP"), based on the share of traffic volume in a particular period over the total projected traffic volume throughout the service concession period. The projection of total traffic volume is a complex process and involves significant management judgement and estimation including the expected GDP (the "GDP") growth rate and the impact of other road network within the same area. The accounting policies and disclosures about assessment for amortisation of costs of service concession arrangements are included in Note 2.4, Note 3 and Note 13 to the consolidated financial statements.	We evaluated the estimated projected total traffic volume of Group's expressways and assessed whether these estimates showed any evidence of management bias. We focused our analysis on management's key assumptions used in the estimates of projected total traffic volume such as GDP growth rate, the impact of other road network within the same area, historical accuracy of management's estimates and assessing the consistency of assumptions across expressways. We also considered whether the amortisation methodology adopted by the Group best represented the expected future economic benefits of the Group's expressways. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	4, 5	**10,211,134**	11,493,969
Cost of sales and other direct operating costs		**(8,108,363)**	(9,496,371)
Gross profit		**2,102,771**	1,997,598
Other income and gains	5	**115,428**	93,259
Administrative expenses		**(274,236)**	(216,823)
Other expenses		**(17,105)**	(18,879)
Finance costs	6	**(528,015)**	(498,582)
Share of profits and losses of:			
Joint ventures		**803**	(2,191)
Associates		**37,197**	20,959
PROFIT BEFORE TAX	7	**1,436,843**	1,375,341
Income tax expense	9	**(294,950)**	(270,128)
PROFIT FOR THE YEAR		**1,141,893**	1,105,213
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments		**(5,509)**	(10,684)
Income tax effect		**1,022**	1,982
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(4,487)**	(8,702)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,137,406**	1,096,511

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

	Notes	**2016** **RMB'000**	2015 RMB'000
Profit attributable to:			
Owners of the Company		**1,056,584**	1,006,586
Non-controlling interests		**85,309**	98,627
		1,141,893	1,105,213
Total comprehensive income attributable to:			
Owners of the Company		**1,052,097**	997,884
Non-controlling interests		**85,309**	98,627
		1,137,406	1,096,511
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	11	**RMB0.346**	RMB0.329

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**663,302**	628,300
Service concession arrangements	13	**24,845,325**	23,133,239
Prepaid land lease payments	14	**363,620**	396,189
Other intangible assets	15	**832**	1,331
Investments in joint ventures	16	**212,026**	151,223
Investments in associates	17	**202,805**	77,337
Available-for-sale investments	18	**142,441**	297,950
Loan to customers	19	**362,418**	481,108
Other receivables	27	**9,952**	7,830
Long term compensation receivables	20	**46,462**	52,197
Payments in advance	21	**2,000**	113,736
Deferred tax assets	22	**10,202**	9,532
Interests in land held for property development	23	**164,266**	708,703
Pledged deposits	28	**68,265**	55,700
Total non-current assets		**27,093,916**	26,114,375
CURRENT ASSETS			
Properties under development	24	**1,553,096**	1,190,749
Properties held for sale	24	**408,135**	–
Inventories	25	**42,844**	162,387
Due from customers for contract works	26	**331,389**	251,969
Loan to customers	19	**562,067**	132,248
Trade and other receivables	27	**2,466,596**	2,459,529
Pledged deposits	28	**–**	79,355
Cash and cash equivalents	28	**3,893,078**	3,067,744
Total current assets		**9,257,205**	7,343,981
CURRENT LIABILITIES			
Tax payable		**58,616**	169,874
Trade and other payables	29	**4,965,137**	3,813,066
Dividend payables		**141,599**	–
Interest-bearing bank and other loans	30	**1,980,050**	1,274,550
Total current liabilities		**7,145,402**	5,257,490
NET CURRENT ASSETS		**2,111,803**	2,086,491
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,205,719**	28,200,866

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	30	**15,225,079**	14,807,894
Deferred tax liabilities	22	**6,207**	7,064
Deferred income	29	**90,401**	89,260
Total non-current liabilities		**15,321,687**	14,904,218
Net assets		**13,884,032**	13,296,648
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**3,058,060**	3,058,060
Reserves	32	**10,266,143**	9,461,206
		13,324,203	12,519,266
Non-controlling interests		**559,829**	777,382
Total equity		**13,884,032**	13,296,648

Zhou Liming
Director

Gan Yongyi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Issued capital *RMB'000* *(note 31)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 32(a))*	Difference *arising from* changes in non-controlling interests *RMB'000*	Available-for-sale investment valuation reserve *RMB'000*	Merger difference *RMB'000* *(note 32(b))*	Safety fund reserve *RMB'000* *(note 32(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015	3,058,060	2,654,601	3,436,613	(262,034)	42,247	(533,123)	11,647	32,820	3,325,196	11,766,027	601,375	12,367,402
Profit for the year	–	–	–	–	–	–	–	–	1,006,586	1,006,586	98,627	1,105,213
Other comprehensive loss for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	(8,702)	–	–	–	–	(8,702)	–	(8,702)
Total comprehensive income/(loss) for the year	–	–	–	–	(8,702)	–	–	–	1,006,586	997,884	98,627	1,096,511
Transfer from/(to) reserves	–	–	426,761	–	–	–	–	–	(426,761)	–	–	–
Establishment for safety fund surplus reserve	–	–	–	–	–	–	32,518	–	(32,518)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	–	–	(21,613)	–	21,613	–	–	–
Capital contribution by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	120,000	120,000
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(42,620)	(42,620)
Final 2014 dividend paid	–	–	–	–	–	–	–	–	(244,645)	(244,645)	–	(244,645)
At 31 December 2015	3,058,060	2,654,601*	3,863,374*	(262,034)*	33,545*	(533,123)*	22,552*	32,820*	3,649,471*	12,519,266	777,382	13,296,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

	Attributable to owners of the Company											
	Issued capital *RMB'000* *(note 31)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 32(a))*	Difference arising from changes in non-controlling interests *RMB'000*	Available-for-sale investment valuation reserve *RMB'000*	Merger difference *RMB'000* *(note 32(b))*	Safety fund reserve *RMB'000* *(note 32(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016	3,058,060	2,654,601	3,863,374	(262,034)	33,545	(533,123)	22,552	32,820	3,649,471	12,519,266	777,382	13,296,648
Profit for the year	–	–	–	–	–	–	–	–	1,056,584	1,056,584	85,309	1,141,893
Other comprehensive loss for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	(4,487)	–	–	–	–	(4,487)	–	(4,487)
Total comprehensive income/(loss) for the year	–	–	–	–	(4,487)	–	–	–	1,056,584	1,052,097	85,309	1,137,406
Transfer from/(to) reserves	–	–	519,679	–	–	–	–	–	(519,679)	–	–	–
Establishment for safety fund surplus reserve	–	–	–	–	–	–	20,976	–	(20,976)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	–	–	(11,563)	–	11,563	–	–	–
Acquisition of non-controlling interests	–	–	–	(2,515)	–	–	–	–	–	(2,515)	(130,445)	(132,960)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(172,417)	(172,417)
Final 2015 dividend paid	–	–	–	–	–	–	–	–	(244,645)	(244,645)	–	(244,645)
At 31 December 2016	3,058,060	2,654,601*	4,383,053*	(264,549)*	29,058*	(533,123)*	31,965*	32,820*	3,932,318*	13,324,203	559,829	13,884,032

* These reserve accounts comprise the consolidated reserves of RMB10,266,143,000 (2015: RMB9,461,206,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,436,843**	1,375,341
Adjustments for:			
Finance costs	6	**528,015**	498,582
Share of profits and losses of joint ventures and associates		**(38,000)**	(18,768)
Depreciation	12	**77,374**	80,429
Amortisation of service concession arrangements	13	**542,522**	487,948
Amortisation of prepaid land lease payments	14	**32,247**	32,090
Amortisation of other intangible assets	15	**499**	499
Loss on disposal and write-off of items of property, plant and equipment	7	**2,732**	3,178
Loss/(gain) on disposal of available-for-sale investments	5	**(8,911)**	188
Interest income	5	**(59,474)**	(54,323)
Dividend income from available-for-sale investments	5	**(4,641)**	(7,024)
		2,509,206	2,398,140
Additions to service concession arrangements		**(1,982,493)**	(3,836,094)
Additions to properties under development		**(221,918)**	(125,887)
Loan to customers		**(479,600)**	(685,000)
Repayment of loan to customers		**168,471**	71,644
Decrease in payments in advance		**–**	5,929
Increase in deferred income		**987**	13,279
Increase in amounts due from customers for contract works		**(79,420)**	(48,329)
Increase in trade and other receivables		**(26,150)**	(230,841)
Decrease/(increase) in inventories		**119,543**	(84,047)
Increase in trade and other payables		**1,146,418**	633,289
Cash from/(used in) operations		**1,155,044**	(1,887,917)
Interest received		**35,975**	12,877
Income tax paid		**(406,713)**	(245,158)
Net cash flows from/(used in) operating activities		**784,306**	(2,120,198)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(113,860)**	(107,909)
Investment in a joint venture		**(60,000)**	(150,000)
Payment in advance in respect of investment in an unlisted company		**–**	(107,393)
Purchase of available-for-sale investments		**–**	(150,000)
Proceeds from disposal of items of property, plant and equipment		**3,095**	1,073
Purchase of land use rights		**–**	(17,284)
Interest received		**46,517**	32,395
Dividend received from an associate		**19,122**	12,125
Dividend received from available-for-sale investments		**4,641**	7,024
Proceeds from disposal of available-for-sale investments		**158,911**	2
Acquisition of non-controlling interests	36(a)	**(132,960)**	–
Decrease/(increase) in pledged deposits		**66,790**	(88)
Net cash flows used in investing activities		**(7,744)**	(480,055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(798,450)**	(850,264)
Proceeds from bank loans		**1,445,000**	3,890,000
Repayment of bank loans		**1,322,315**	(2,007,992)
Proceeds from medium term notes		**1,000,000**	1,200,000
Repayment of other loans		**–**	(13,592)
Dividends paid to owners of the Company		**(244,645)**	(244,645)
Dividends paid to non-controlling shareholders		**(30,818)**	(42,620)
Capital injection by a non-controlling shareholder		**–**	120,000
Net cash flows from financing activities		**48,772**	2,050,887
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**825,334**	(549,366)
Cash and cash equivalents at beginning of year		**3,067,744**	3,617,110
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,893,078**	3,067,744
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,824,078**	3,067,744
Non-pledged time deposits		**69,000**	–
Cash and cash equivalents as stated in the consolidated statement of financial position	28	**3,893,078**	3,067,744

1. CORPORATE AND GROUP 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 Group was involved in the following principal activities:

- investment holding;
- construction;
- management and operation of expressways and a high-grade toll bridge;
- operation of gas stations along expressways;
- property development; and
- financial lease business.

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, which is incorporated in the PRC.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
	RMB'000			
Sichuan Chengle Expressway Company Limited ("Chengle Company")	560,790	100	–	Construction and operation of Chengle Expressway
Chengdu Chengbei Exit Expressway Company Limited ("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
Sichuan Trading Construction Engineering Company Limited ("TCC")	500,000	51	–	Repair and maintenance of expressways and construction of roads and expressways
Sichuan Shuxia Industrial Company Limited ("Shuxia")	30,000	100	–	Provision of ancillary services and property development

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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.	20,000	–	100	Construction of properties
Chengyu Financial Leasing Company ("Chengyu Financial Lease")	300,000	60	40	Finance lease
CSI SCE Investment Holding Limited ("CSI SCE")	120,000	100	–	Investment holding
Sichuan Chengyu Expressway Advertising Company Limited	1,000	–	60	Design and production of advertisements
Sichuan Shugong Road Construction Engineering Testing Company Limited ("Shugong Testing")	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

Except for Chengyu Financial Lease which is established as a foreign investment enterprise in the PRC and CSI SCE which is established in Hong Kong, other subsidiaries are established in the PRC as domestic enterprises under the PRC law.

None of the subsidiaries has material non-controlling interests.

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"), accounting principles generally accepted in Hong Kong ("HK GAAP") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain 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 2016. A subsidiary is an 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 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 Company 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, expenses 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but is available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(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. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group expects that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to measure all its equity investments currently held as available for sale at fair value. All equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 establishes a new five-step model to account for 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. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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.

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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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

Certain available-for-sale investments of the Group are measured 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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.

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

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 are stated at cost less any impairment losses, and are 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 are 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.

Particulars of the expressways managed and operated by the Group as at 31 December 2016 are as follows:

	Origin/destination	**Approximate length *(km)***	**Date of commencement of operations of the entire toll expressway**
Chengyu Expressway	Chengdu/Shangjiapo	226	7 October 1997
Chengya Expressway	Chengdu/Duiyan	144	1 January 2000
Chengren Expressway	Jiangjia/Zhichanggou	107	18 September 2012
Chengle Expressway	Qinglongchang/Guliba	86	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10	21 December 1998
Suiguang Expressway	Jinqiao interchange/ Hongtudi interchange	103	9 October 2016
Suixi Expressway	Fushanba/Taiping interchange	68	9 October 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and accounts receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

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 net of any incentives received from the lessor 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.

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

Purchased licence is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 market place.

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.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 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.

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, dividend 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 and properties held for sale

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.

In the case of properties held for sale, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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 consolidated 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 for the current and prior periods 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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;

(f) interest income from the sale-leaseback principal of a finance lease, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;

(g) the sale of properties, when the significant risks and rewards of ownership of the properties have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties; and

(h) dividend income, when the shareholders' 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 Labor and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference 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 using the percentage of completion method, measured by reference to the recoverable costs incurred during the period plus a percentage of costs.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Defined contribution pension scheme

In accordance with 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 certain rates 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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional 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 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, 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.

(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.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(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.

(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 contracts 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 RMB4,338,117,000 and RMB4,022,358,000 (2015: RMB5,855,564,000 and RMB5,416,620,000), 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 2016 was RMB24,845,325,000 (2015: RMB23,133,239,000).

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 2016 was RMB663,302,000 (2015: RMB628,300,000).

(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 2016 was RMB52,197,000 (2015: RMB57,230,000). 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 for 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 2016 was RMB58,616,000 (2015: RMB169,874,000).

(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 serviceability. 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 2016 (2015: Nil).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and products and has five (2015: 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 and oil operation segment comprises the operation of gas stations along expressways, sales of petrochemicals and other oil products;

(d) the property development segment comprises the investment and development of properties located in Mainland China; and

(e) the "others" segment mainly comprises advertising, the rental of properties along expressways, and finance lease operation.

The board of directors (the "Board") monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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 on bank deposits, 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, dividend payables 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2016

	Toll operation *RMB'000*	Construction contracts *RMB'000*	Gas station and oil operation *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE	2,849,045	4,311,380	2,889,050	27,833	133,826	10,211,134
SEGMENT RESULTS	1,149,509	272,226	112,980	(15,164)	62,080	1,581,631
Reconciliation:						
Interest income on bank deposits						28,573
Dividend income and unallocated income and gains						55,954
Corporate and other unallocated expenses						(229,315)
Profit before tax						1,436,843
SEGMENT ASSETS	26,168,838	2,598,297	196,503	2,181,840	1,091,657	32,237,135
Reconciliation:						
Available-for-sale investments						142,441
Deferred tax assets						10,202
Pledged deposits						68,265
Cash and cash equivalents						3,893,078
Total assets						36,351,121
SEGMENT LIABILITIES	17,912,653	3,031,354	13,541	590,724	712,344	22,260,667
Reconciliation:						
Tax payable						58,616
Dividend payable						141,599
Deferred tax liabilities						6,207
Total liabilities						22,467,089
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	23,311	–	–	–	13,886	37,197
Share of profits and losses of joint ventures	1,384	–	–	–	(581)	803
Interest expenses	469,262	39,729	495	3,038	15,491	528,015
Depreciation and amortisation	627,244	11,686	9,059	856	3,797	652,642
Investments in associates	77,076	–	–	–	125,729	202,805
Investments in joint ventures	210,259	–	–	–	1,799	212,026
Capital expenditure*	2,293,094	6,392	23,695	43,123	6,507	2,372,811

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2015

	Toll operation *RMB'000*	Construction contracts *RMB'000*	Gas station and oil operation *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE	2,745,121	5,727,655	2,931,300	–	89,893	11,493,969
SEGMENT RESULTS	1,101,389	282,509	97,982	(13,451)	42,954	1,511,383
Reconciliation:						
Interest income on bank deposits						24,155
Dividend income and unallocated income and gains						38,936
Corporate and other unallocated expenses						(199,133)
Profit before tax						1,375,341
SEGMENT ASSETS	24,561,616	2,574,819	148,666	1,897,917	765,057	29,948,075
Reconciliation:						
Available-for-sale investments						297,950
Deferred tax assets						9,532
Pledged deposits						135,055
Cash and cash equivalents						3,067,744
Total assets						33,458,356
SEGMENT LIABILITIES	15,982,002	3,295,384	33,425	252,131	421,828	19,984,770
Reconciliation:						
Tax payable						169,874
Deferred tax liabilities						7,064
Total liabilities						20,161,708
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	20,959	–	–	–	–	20,959
Share of profits and losses of joint ventures	(1,157)	–	–	–	(1,034)	(2,191)
Interest expenses	442,439	50,113	105	4,855	1,070	498,582
Depreciation and amortisation	569,818	21,003	7,102	466	2,577	600,966
Investments in associates	72,887	–	–	–	4,450	77,337
Investments in joint ventures	148,843	–	–	–	2,380	151,223
Capital expenditure*	4,221,005	17,089	39,645	271	10,782	4,288,792

* Capital expenditure consists of additions to service concession arrangements, property, plant and equipment and prepaid land lease payments.

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

During the year ended 31 December 2016, revenue of approximately RMB1,121,143,000 which accounted for more than 10% of the Group's revenue 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 2015, 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:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Toll income		
– Chengyu Expressway	**821,983**	875,026
– Chengya Expressway	**784,345**	767,937
– Chengle Expressway	**449,263**	453,834
– Chengren Expressway	**690,442**	659,535
– Chengbei Exit Expressway and Qinglongchang Bridge	**94,937**	86,026
– Suiguang-Suixi Expressways	**47,151**	–
	2,888,121	2,842,358
Less: Revenue taxes	**(39,076)**	(97,237)
Sub-total	**2,849,045**	2,745,121
Construction revenue in respect of:		
– Service concession arrangements	**2,254,608**	4,167,587
– Construction and maintenance works performed for other parties	**2,083,509**	1,687,977
	4,338,117	5,855,564
Less: Revenue taxes	**(26,737)**	(127,910)
Sub-total	**4,311,380**	5,727,654

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

	2016	2015
	RMB'000	*RMB'000*
Revenue from operation of gas stations and petrochemicals and other oil products	**2,889,050**	2,931,300
Financial lease operation income	**59,602**	36,503
Sales of properties	**27,833**	–
Others (including income from rental and advertising)	**74,224**	53,391
Total revenue	**10,211,134**	11,493,969
Other income and gains		
Interest income from bank deposits	**28,573**	24,155
Interest income from discounting long-term compensation receivables *(note 20)*	**7,967**	8,581
Interest income from construction contracts	**22,934**	21,587
Rental income	**5,238**	4,352
Government grants*	**10,279**	6,721
Dividend income from available-for-sale investments	**4,641**	7,024
Compensation income	**23,431**	15,703
Reversal of bad debt provision	**–**	2,447
Gain on disposal of available-for-sale investments	**8,911**	–
Miscellaneous	**3,454**	2,689
	115,428	93,259
Total revenue, other income and gains	**10,326,562**	11,587,228

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other loans	**664,867**	751,021
Interest on medium term notes	**160,052**	90,286
	824,919	841,307
Less: Interest capitalised in respect of:		
– Service concession arrangements *(note 13(c))*	**(272,115)**	(331,493)
– Properties under development *(note 24)*	**(4,127)**	(4,158)
Interest recorded under cost of sales and other operating costs	**(20,662)**	(7,074)
	528,015	498,582
Interest rate of borrowing costs capitalised	**4.28%–6.51%**	5.60%–6.55%

7. PROFIT BEFORE TAX

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

	Notes	**2016** **RMB'000**	2015 RMB'000
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration):	8		
Wages and salaries		**404,401**	372,886
Pension scheme contributions			
– Defined contribution fund		**62,465**	61,167
Housing fund			
– Defined contribution fund		**39,292**	37,535
Supplementary pension scheme			
– Defined contribution fund		**15,821**	14,414
Other staff benefits		**101,957**	105,087
Employee benefit expense*		**623,936**	591,089
Depreciation*	12	**77,374**	80,429
Amortisation of service concession arrangements	13	**542,522**	487,948
Amortisation of prepaid land lease payments	14	**32,247**	32,090
Amortisation of other intangible assets	15	**499**	499
Depreciation and amortisation expenses		**652,642**	600,966
Construction costs in respect of:			
– Service concession arrangements*		**2,204,565**	3,988,276
– Construction works performed for other parties*		**1,817,793**	1,428,344
Construction costs		**4,022,358**	5,416,620
Cost of sales of refined oil and petrochemical products		**2,728,643**	2,804,145
Cost of properties sold		**25,630**	–
Cost of finance lease operation		**20,662**	7,074
Repairs and maintenance		**198,440**	226,967
Minimum lease payments under operating leases:			
– Land and buildings		**24,013**	23,851
Auditor's remuneration		**2,800**	2,800
Loss on disposal and write-off of items of property, plant and equipment		**2,732**	3,178
Loss/(gain) on disposal of available-for-sale investments		**(8,911)**	188
Reversal of provision for impairment of other receivables *(note 27(b))*		**–**	(2,447)

* During the year, employee costs of RMB99,961,000 (2015: RMB105,531,000) and depreciation and amortisation charges of RMB14,136,000 (2015: RMB18,846,000) were included in those construction costs.

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 (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**1,880**	1,773
Pension scheme contributions	**169**	128
Supplementary pension scheme contributions	**94**	71
	2,143	1,972
	2,463	2,292

(a) Independent non-executive directors

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

	2016	2015
	RMB'000	*RMB'000*
Mr. Sun Huibi	**80**	80
Mr. Guo Yuanxi	**80**	80
Mr. Yu Haizong	**80**	80
Mr. Chen Weizheng	**47**	80
Madam Liu Lina	**33**	–
	320	320

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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

(b) Executive and non-executive directors

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2016				
Executive directors:				
Mr. Zhou Liming	–	–	–	–
Mr. Gan Yongyi*	426	35	21	482
Mr. Luo Maoquan	348	35	17	400
	774	70	38	882
Non-executive directors:				
Mr. Tang Yong	–	–	–	–
Mr. Huang Bin	–	–	–	–
Mr. Wang Shuanming	–	–	–	–
Mr. Zheng Haijun	–	–	–	–
Mr. Ni Shilin	–	–	–	–
	–	–	–	–
	774	70	38	882

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

(b) Executive and non-executive directors *(Continued)*

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2015				
Executive directors:				
Mr. Zhou Liming	–	–	–	–
Mr. Gan Yongyi*	415	32	20	467
Mr. He Zhuqing	329	–	–	329
	744	32	20	796
Non-executive directors:				
Mr. Wu Xinhua	–	–	–	–
Mr. Tang Yong	–	–	–	–
Mr. Huang Bin	–	–	–	–
Mr. Wang Shuanming	–	–	–	–
Mr. Ni Shilin	–	–	–	–
	–	–	–	–
	744	32	20	796

* Mr. Gan Yongyi is also the chief executive of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

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

(c) Supervisors

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2016				
Mr. Feng Bing	**426**	**35**	**21**	**482**
Mr. Ouyang Huajie	**–**	**–**	**–**	**–**
Mr. Jian Shixi	**58**	**6**	**4**	**68**
Madam Yang Jingfan	**182**	**6**	**8**	**196**
Mr. Hu Yaosheng	**92**	**17**	**6**	**115**
Mr. Lin Binhai	**348**	**35**	**17**	**115**
Mr. Meng Jie	**–**	**–**	**–**	**–**
Mr. Dan Yong	**–**	**–**	**–**	**–**
	1,106	**99**	**56**	**1,261**

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2015				
Mr. Feng Bing	415	32	20	467
Mr. Ouyang Huajie	–	–	–	–
Mr. Jian Shixi	332	32	16	380
Madam Yang Jingfan	282	32	15	329
Madam He Kun	–	–	–	–
Mr. Dan Yong	–	–	–	–
	1,029	96	51	1,176

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year (2015: Nil).

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

(d) The five highest paid employees during the year included one director (2015: one) and two supervisors (2015: two), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are not director, chief executive, or supervisor of the Company are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**696**	664
Pension scheme contributions	**104**	96
	800	760

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 the section headed "Directors and Supervisors" in the directors' report of the Company.

In addition to the amounts disclosed above, one executive director (2015: one), five non-executive directors (2015: five) and three supervisors (2015: three) did not receive any remuneration from the Company in 2016. 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 2016.

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

9. INCOME TAX *(Continued)*

Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the "Catalogue"), the income of which accounts for more than 70% of the total income of such enterprises. The Catalogue of Encouraged Industries in the Western Region shall be issued separately". The Catalogue of Encouraged industries in the Western Region was approved by the State Council, and has been implemented since 1 October 2014.

For entities within the scope of the transportation industry, i.e., the Company, Chengle Company and 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 of these entities for the year ended 31 December 2016 continued to be calculated at a tax rate of 15%.

On 21 May 2014, TCC obtained the approval from the 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 exceeded 70% of its total revenue during 2013. During the year, the directors of the Company considered the eligible revenue derived by TCC has not exceeded 70% of its total revenue, and the provision for income tax expense of TCC during the year was calculated at the CIT rate of 25%.

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

	2016	2015
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**289,174**	268,227
Underprovision in prior years	**6,281**	5,320
Deferred *(note 22)*	**(505)**	(3,419)
Total tax charge for the year	**294,950**	270,128

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:

	2016 ***RMB'000***	2015 *RMB'000*
Profit before tax	**1,436,843**	1,375,341
Tax at the applicable tax rates of:		
25%	**35,720**	58,764
15%	**194,094**	171,043
Sub-total	**229,814**	229,807
Income not subject to tax	**(425)**	(1,181)
Expenses not deductible for tax	**2,369**	1,714
Underprovision in prior years	**6,281**	5,320
Profit attributable to associates and joint ventures	**(4,560)**	(2,596)
Benefit of tax losses not recognised *(note 22)*	**43,013**	16,501
Tax arising from intra-group borrowings	**17,350**	22,381
Others	**1,108**	(1,818)
Tax charge at the Group's effective tax rate	**294,950**	270,128

The share of tax attributable to associates amounting to RMB4,397,000 (2015: RMB3,756,000) 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. DIVIDENDS

	2016 ***RMB'000***	2015 *RMB'000*
Proposed final – RMB0.110 (2015: RMB0.080) per ordinary share	**336,387**	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.

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 ordinary equity holders of the Company, and the number of ordinary shares of 3,058,060,000 (2015: 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 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

12. PROPERTY, PLANT AND EQUIPMENT

	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*
31 December 2016								
Cost:								
At 1 January 2016	678,601	190,057	226,939	540,850	244,743	121,006	5,011	2,007,207
Additions during the year	2,357	2,512	14,874	48,681	24,436	5,586	19,757	118,203
Disposals and write-offs	(24)	(135)	(3,579)	(3,362)	(28,397)	(5,706)	(1,254)	(42,457)
Transfer	1,528	144	10,938	1,300	1,514	–	(15,424)	–
At 31 December 2016	682,462	192,578	249,172	587,469	242,296	120,886	8,090	2,082,953
Accumulated depreciation:								
At 1 January 2016	632,158	162,707	141,367	232,034	145,758	64,883	–	1,378,907
Provided during the year	4,607	4,545	13,566	21,623	21,690	11,343	–	77,374
Disposals and write-offs	(23)	(131)	(3,472)	(535)	(27,009)	(5,460)	–	(36,630)
At 31 December 2016	636,742	167,121	151,461	253,122	140,439	70,766	–	1,419,651
Net carrying amount:								
At 1 January 2016	46,443	27,350	85,572	308,816	98,985	56,123	5,011	628,300
At 31 December 2016	45,720	25,457	97,711	334,347	101,857	50,120	8,090	663,302

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

	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*
31 December 2015								
Cost:								
At 1 January 2015	669,794	189,338	201,207	526,535	217,761	118,265	1,690	1,924,590
Additions during the year	8,577	1,096	8,151	14,315	30,260	4,810	36,357	103,566
Disposals and write-offs	(151)	(2,299)	(11,524)	–	(3,791)	(2,069)	(1,115)	(20,949)
Transfer	381	1,922	29,105	–	513	–	(31,921)	–
At 31 December 2015	678,601	190,057	226,939	540,850	244,743	121,006	5,011	2,007,207
Accumulated depreciation:								
At 1 January 2015	628,582	160,416	141,543	206,816	123,076	54,743	–	1,315,176
Provided during the year	3,723	4,520	11,002	25,218	23,876	12,090	–	80,429
Disposals and write-offs	(147)	(2,229)	(11,178)	–	(1,194)	(1,950)	–	(16,698)
At 31 December 2015	632,158	162,707	141,367	232,034	145,758	64,883	–	1,378,907
Net carrying amount:								
At 1 January 2015	41,212	28,922	59,664	319,719	94,685	63,522	1,690	609,414
At 31 December 2015	46,443	27,350	85,572	308,816	98,985	56,123	5,011	628,300

13. SERVICE CONCESSION ARRANGEMENTS

	2016	2015
	RMB'000	*RMB'000*
Cost:		
At 1 January	**27,257,824**	23,090,237
Additions	**2,254,608**	4,167,587
At 31 December	**29,512,432**	27,257,824
Accumulated amortisation:		
At 1 January	**4,124,585**	3,636,637
Charged for the year	**542,522**	487,948
At 31 December	**4,667,107**	4,124,585
Net carrying amount:		
At 1 January	**23,133,239**	19,453,600
At 31 December	**24,845,325**	23,133,239

(a) At 31 December 2016, 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)):

	2016	2015
	RMB'000	*RMB'000*
Chengle Expressway	**950,626**	1,002,934
Chengren Expressway	**7,208,863**	7,270,918
Suiguang-Suixi Expressways	**12,358,860**	10,266,715
	20,518,349	18,540,567

(b) During the year, the Group was in the construction of the remaining part of Suining-Guang'an Expressway and Suining-Xichong Expressway (the "Suiguang-Suixi Expressways BOT Project") in the form of Build-Operate-Transfer ("BOT") mode. Total construction and borrowing costs of RMB2,102,520,000 (2015: RMB3,963,150,000) were incurred, among which RMB1,476,662,000 (2015: RMB1,800,898,000) was sub-contracted to third party subcontractors.

In addition, construction revenue of Suiguang-Suixi Expressways BOT Project amounting to RMB2,152,569,000 (2015: RMB4,142,461,000) 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.

(c) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB272,115,000 (2015: RMB331,493,000) (note 6).

14. PREPAID LAND LEASE PAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Carrying amount at 1 January	**428,287**	442,738
Additions	**–**	17,639
Recognised during the year	**(32,247)**	(32,090)
Carrying amount at 31 December	**396,040**	428,287
Portion classified as current assets *(note 27(d))*	**(32,420)**	(32,098)
Non-current portion	**363,620**	396,189

15. OTHER INTANGIBLE ASSETS

	Licence	
	2016	2015
	RMB'000	RM'000
Cost:		
At 1 January and 31 December	**2,495**	2,495
Accumulated amortisation:		
At 1 January	**1,164**	665
Provided for the year	**499**	499
At 31 December	**1,663**	1,164
Net carrying amount:		
At 1 January	**1,331**	1,830
At 31 December	**832**	1,331

16. INVESTMENTS IN JOINT VENTURES

	2016 **RMB'000**	2015 RMB'000
Share of net assets	**212,026**	151,223

Particulars of the Group's joint ventures of the Group, which were established and operate in Mainland China, are as follows:

Name	**Percentage of ownership interest**	**Principal activities**
Sichuan Zhongxin Assets Management Company Limited	50	Asset management
Sichuan Chengyu Development Equity Investment Fund Center	49	Asset management

The above investments in the joint ventures are indirectly held by the Company, through a subsidiary of the Company.

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

	2016 **RMB'000**	2015 RMB'000
Share of the joint ventures' profit or loss and total comprehensive income/(loss) for the year	**803**	(2,191)
Aggregate carrying amount of the Group's investments in the joint ventures	**212,026**	151,223

17. INVESTMENTS IN ASSOCIATES

	2016	2015
	RMB'000	*RMB'000*
Share of net assets	**211,968**	86,500
Provision for impairment	**(9,163)**	(9,163)
	202,805	77,337

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

Name	**Percentage of ownership interest attributable to the Group**	**Principal activities**
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
Sichuan Renshou Rural Commercial Bank Co., Ltd. ("Renshou Bank")	9.99	Banking operations

Upon completion of the subscription of shares in Renshou Bank on 24 October 2016 for a total investment cots of RMB107,393,000 (note 21), the Group became the largest shareholder of Renshou Bank. The Group nominated one director to the board of directors of Renshou Bank to participate in the financial and operating policy decisions of Renshou Bank. The Group can exert significant influence over Renshou Bank, accordingly Renshou Bank has been treated as the Group's associate and accounted for using the equity method from the date when it became an associate of the Group. Gain on bargain purchase amounting to RMB10,468,000 was included in "Share of profits and losses of associates" in the consolidated statement of profit or loss and other comprehensive income.

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

17. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information in respect of Renshou Bank, which is considered a material associate of the Group, reconciled to the carrying amount in the consolidated financial statements:

	2016
	RMB'000
Current assets	**17,455,754**
Non-current assets	**1,178,273**
Current liabilities	**(17,420,023)**
Non-current liabilities	**–**
Net assets	**1,214,004**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**9.99%**
Group's share of net assets of the associate	**121,279**
Carrying amount of the investment	**121,279**

	Two-months period from the acquisition date to 31 December 2016
	RMB'000
Revenue	**218,138**
Profit and total comprehensive income for the period	**39,397**
Dividend received	**–**

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

	2016	2015
	RMB'000	*RMB'000*
Share of the associates' profit or loss, and total comprehensive income for the year	**23,311**	20,959
Aggregate carrying amount of the Group's investments in the associates	**81,526**	77,337

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	RMB'000	*RMB'000*
Listed equity investment, at fair value	**65,274**	70,783
Unlisted equity investments, at cost	**77,167**	77,167
Investments in trust products	**–**	150,000
	142,441	297,950

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB5,509,000 (2015: RMB10,684,000), and there was no other comprehensive income or loss being reclassified to profit or loss for the year (2015: Nil).

At 31 December 2016, the above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity dates or coupon rates.

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.

19. LOAN TO CUSTOMERS

The Group's loan to customers, represented net investments in fixed assets leased to third party customers under finance lease contracts. The contracts run for initial periods of five months to five years, with options for acquiring by the respective lessee the leased assets at nominal values at the end of the lease period. The total minimum lease receivables and their present values at the year end are as follows:

31 December 2016

	Net lease receivables	**Unearned finance income**	**Total gross lease receivables**
	RMB'000	***RMB'000***	***RMB'000***
Amounts receivable:			
– Within one year	**562,067**	**40,403**	**602,470**
– In the second year	**185,539**	**16,419**	**201,958**
– In the third to fifth years, inclusive	**176,879**	**11,186**	**188,065**
Total	**924,485**	**68,008**	**992,493**
Portion classified as current assets	**(562,067)**		
Non-current portion	**362,418**		

19. LOAN TO CUSTOMERS *(Continued)*

31 December 2015

	Net lease receivables *RMB'000*	Unearned finance income *RMB'000*	Total gross lease receivables *RMB'000*
Amounts receivable:			
– Within one year	132,248	33,031	165,279
– In the second year	380,079	17,756	397,835
– In the third to fifth years, inclusive	101,029	1,935	102,964
Total	613,356	52,722	666,078
Portion classified as current assets	(132,248)		
Non-current portion	481,108		

At 31 December 2016, the Group has pledged lease receivables of approximately RMB277,425,000 (2015: RMB313,100,000) to secure bank loans granted to the Group (note 30 (a)). The loan to customers was secured by the collateral provided by the lessees including specific equipment or assets.

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:

(a) 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;

(b) 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

(c) Additional compound interest at a rate of 0.021% per day should be levied on the delay in payment.

20. LONG TERM COMPENSATION RECEIVABLES *(Continued)*

The compensation can be analysed as follows:

	2016			2015		
	Compensation	**Imputed Interest**	**Net present value**	Compensation	Imputed Interest	Net present value
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	**13,000**	**7,265**	**5,735**	13,000	7,967	5,033
In the second to fifth years, inclusive	**52,000**	**19,890**	**32,110**	52,000	23,813	28,187
Beyond five years	**16,802**	**2,450**	**14,352**	29,802	5,792	24,010
	81,802	**29,605**	**52,197**	94,802	37,572	57,230
Portion classified as current assets *(note 27(b))*			**(5,735)**			(5,033)
Non-current portion			**46,462**			52,197

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.

21. PAYMENTS IN ADVANCE

	2016	2015
	RMB'000	*RMB'000*
In respect of:		
Purchase of land use rights	**2,000**	2,000
Purchase of property, plant and equipment	**–**	4,343
Investment in an unlisted company *(note 17)*	**–**	107,393
	2,000	113,736

22. DEFERRED TAX

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

Deferred tax assets

	Deferred income *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2015	10,144	344	10,488
Deferred tax credited to profit or loss during the year *(note 9)*	2,202	828	3,030
At 31 December 2015 and 1 January 2016	12,346	1,172	13,518
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	443	(306)	137
At 31 December 2016	**12,789**	**866**	**13,655**

The Group has tax losses arising in Mainland China of RMB390,004,000 (2015: RMB217,952,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

	Fair value adjustment arising from available-for-sale investments *RMB'000*	Accelerated amortisation for tax purposes *RMB'000*	Total *RMB'000*
At 1 January 2015	9,622	3,799	13,421
Deferred tax credited to profit or loss during the year *(note 9)*	–	(389)	(389)
Deferred tax credited to reserves during the year	(1,982)	–	(1,982)
At 31 December 2015 and 1 January 2016	7,640	3,410	11,050
Deferred tax credited to profit or loss during the year *(note 9)*	–	(368)	(368)
Deferred tax credited to reserves during the year	(1,022)	–	(1,022)
At 31 December 2016	**6,618**	**3,042**	**9,660**

22. DEFERRED TAX *(Continued)*

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

	2016	2015
	RMB'000	*RMB'000*
Gross deferred tax assets	**13,655**	13,518
Gross deferred tax liabilities	**(3,453)**	(3,986)
Net deferred tax assets	**10,202**	9,532
Gross deferred tax assets	**–**	–
Gross deferred tax liabilities	**6,207**	7,064
Net deferred tax liabilities	**6,207**	7,064

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 2015 which was paid to foreign shareholders before 31 December 2016.

23. INTERESTS IN LAND HELD FOR PROPERTY DEVELOPMENT

The Group's interests in land use rights for property development were in respect of prepayments for the rights to use certain pieces of land situated in Mainland China over fixed periods and held under medium leases. As at 31 December 2016, the legal titles of the land use rights with a carrying amount of approximately RMB156,303,000 (2015: RMB700,740,000) that the Group acquired have not been transferred to the Group and the 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.

24. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	2016	2015
	RMB'000	*RMB'000*
Properties under development		
Land costs	**1,415,176**	966,630
Development costs	**137,920**	224,119
	1,553,096	1,190,749

	2016	2015
	RMB'000	*RMB'000*
Properties held for sale		
Land costs	**95,891**	–
Development costs	**312,244**	–
	408,135	–

The Group's properties under development and completed properties held for sale are situated on leasehold land in Mainland China. As at 31 December 2016, properties under development were expected to be completed or realised within normal operating cycle. Interest expenses capitalised as part of properties under development by the Group during the year amounted to RMB4,127,000 (2015: RMB4,158,000) (note 6).

25. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Refined oil products	**27,447**	17,706
Spare parts and construction materials	**15,397**	144,681
	42,844	162,387

26. CONSTRUCTION CONTRACTS IN PROGRESS

	2016	2015
	RMB'000	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	**2,588,074**	1,637,253
Less: Progress billings	**(2,256,685)**	(1,385,284)
Construction contracts in progress	**331,389**	251,969
Representing:		
Amount due from customers for contract works	**331,389**	297,331
Amount due to a customer for contract works	**–**	(45,362)
	331,389	251,969

At 31 December 2016, retentions held by customers for contract works included in the Group's trade receivables amounted to approximately RMB148,008,000 (2015: RMB109,010,000).

At 31 December 2016, advances received from customers for contract works included in trade and other payables amounted to RMB44,609,000 (2015: RMB54,116,000).

27. TRADE AND OTHER RECEIVABLES

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
Trade receivables			
Trade receivables		**1,837,413**	1,688,996
Impairment		**–**	–
Trade receivables, net	(a)	**1,837,413**	1,688,996
Other receivables			
Other receivables	(b)	**377,734**	337,912
Impairment		**(107,990)**	(107,990)
		269,744	229,922
Deposits	(c)	**255,549**	278,349
Prepayments	(d)	**103,890**	262,262
Other receivables, net		**629,183**	770,533
Total trade and other receivables		**2,466,596**	2,459,529

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 RMB1,090,895,000 as at 31 December 2016 (2015: RMB1,187,726,000) 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% (2015: 5.60% to 14.98%) 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 or billing date and net of provisions, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**528,506**	477,106
3 to 6 months	**125,250**	74,677
6 to 12 months	**365,164**	411,561
Over one year	**818,493**	725,652
	1,837,413	1,688,996

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

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,833,520**	1,684,864
Past due but not impaired:		
Over one year	**3,893**	4,132
	1,837,413	1,688,996

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 a number of independent customers that have good payment records 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.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(b) The Group's other receivables at 31 December 2016 are analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
Temporary advances	–	20,000
Interest receivables on temporary advances and construction revenue	**37,553**	50,594
Long-term compensation receivables to be received within one year *(note 20)*	**5,735**	5,033
Toll income receivables	**126,874**	104,706
Interest income from pledged deposits, current portion	**2,290**	9,356
Deductible input value added tax	**22,411**	–
Miscellaneous	**182,871**	148,223
	377,734	337,912
Interest income from pledged deposits, non-current portion	**9,952**	7,830
	387,686	345,742

As stipulated in the contracts entered into between the Group and the respective government agencies, other than the provisional of construction works under the "Build-Transfer" mode (collectively referred as "BT Projects"), the Group is required to provide temporary advances to the government agencies for the resettlement of residents and removal of obstacles performed by the relevant government agencies. The advance bears interest at a rate of 14.98% per annum (2015: 14.98%).

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**107,990**	110,437
Reversal of bad debt provision *(note 7)*	**–**	(2,447)
At 31 December	**107,990**	107,990

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.

At the end of the reporting period, except for those impaired receivables, other receivables were neither past due nor impaired.

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

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

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

	2016 RMB'000	2015 RMB'000
Performance guarantee deposits in respect of:		
– BT Projects	**46,959**	65,330
– Suiguang-Suixi Expressways BOT Project	**–**	10,000
– Construction contracts	**161,019**	162,398
Bidding deposits in respect of:		
– Construction contracts	**16,030**	11,100
Others	**31,541**	29,521
	255,549	278,349

(d) Prepayments at 31 December 2016 included prepaid land lease payments to be recognised within one year of RMB32,420,000 (2015: RMB32,098,000) (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:

	2016 RMB'000	2015 RMB'000
Fellow subsidiaries under common control of STI Group		
– Trade receivables	**514,438**	148,136
– Other receivables	**41,317**	157,509
– Prepayments	**5,813**	15,403
– Deposits	**115,506**	80,846
	677,074	401,894

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Cash and bank balances	**3,824,078**	3,067,744
Time deposits	**137,265**	135,055
	3,961,343	3,202,799
Less: Pledged time deposits for:		
Bidding Chengren Expressway BOT Project	**11,815**	11,685
Performance guarantee under Suiguang-Suixi Expressways BOT Project	**–**	11,220
Bank loans *(note 30)*	**56,450**	112,150
Total pledged time deposits	**68,265**	135,055
Cash and cash equivalents	**3,893,078**	3,067,744

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.

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

	2016	2015
	RMB'000	*RMB'000*
RMB	**3,961,229**	3,202,446
Hong Kong dollars	**114**	353
	3,961,343	3,202,799

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.

29. TRADE AND OTHER PAYABLES

	Notes	**2016** **RMB'000**	2015 RMB'000
Current portion:			
Trade payables	(a)	**1,170,303**	1,211,546
Other payables	(b)	**3,687,274**	2,499,613
Accruals	(c)	**98,923**	93,116
Deferred income	(d)	**8,637**	8,791
		4,965,137	3,813,066
Non-current portion:			
Deferred income	(d)	**90,401**	89,260
		5,055,538	3,902,326

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:

	2016 **RMB'000**	2015 RMB'000
Within 3 months	**194,554**	741,362
3 to 6 months	**155,748**	179,073
6 to 12 months	**495,924**	206,973
Over 1 year	**324,077**	84,138
	1,170,303	1,211,546

The trade payables are non-interest-bearing and are normally settled within one to twelve months, except for retention payables from construction projects of RMB117,223,000 (2015: RMB105,952,000) which are normally settled within two years.

29. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

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

	Notes	**2016** **RMB'000**	2015 RMB'000
Advances		**396,594**	110,620
Payroll and welfare payables		**112,564**	82,601
Taxes and surcharge payables		**75,438**	137,990
Progress billing payables	(i)	**2,512,895**	1,519,013
Retention payables	(ii)	**215,020**	214,350
Deposits	(ii)	**207,500**	258,451
Others		**167,263**	176,588
		3,687,274	2,499,613

Notes:

(i) Included in the progress billing payables was an amount of RMB480,747,000 (2015: RMB982,361,000) related to the construction of the Suiguang-Suixi Expressways BOT Project.

(ii) Included in the retention payables and deposits were amounts in aggregate of RMB222,452,000 (2015: RMB299,053,000) related to the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, which includes a performance guarantee deposit of approximately RMB28,185,000 (2015: RMB103,167,000) received from subcontractors, bearing interest at a rate of 0.35% (2015: 0.35%) per annum.

(c) The balance as at 31 December 2016 consisted of interest accrued in respect of medium term notes and interest-bearing bank loans of RMB52,790,000 (2015: RMB48,565,000) and RMB46,133,000 (2015: RMB44,551,000), respectively.

29. TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

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

	2016	2015
	RMB'000	*RMB'000*
Leasing income received in advance	**14,150**	15,205
Management fee received in advance for operation of a bridge	**70,037**	65,952
Various deferred compensation income received in advance	**13,207**	14,346
Miscellaneous	**1,644**	2,548
	99,038	98,051

Deferred income of the Group to be released to profit or loss after twelve months from 31 December 2016 with an amount of RMB90,401,000 (2015: RMB89,260,000) has been recorded as a non-current liability.

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

	2016	2015
	RMB'000	*RMB'000*
Fellow subsidiaries under common control of STI Group		
– Trade payables	**59,371**	183,522
– Other payables	**75,395**	87,432
	134,766	270,954

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.

30. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	**2016** ***RMB'000***	2015 *RMB'000*
Bank loans:			
Secured and guaranteed	(a)	**1,106,400**	1,106,400
Secured	(a)	**11,176,229**	10,544,544
Unsecured		**984,000**	1,493,000
Medium term notes	(b)	**3,800,000**	2,800,000
Other loans, unsecured	(c)	**138,500**	138,500
		17,205,129	16,082,444
Analysed into:			
Bank loans repayable:			
Within one year		**1,280,050**	1,199,050
In the second year		**1,490,051**	740,050
In the third to fifth years, inclusive		**2,010,551**	2,770,551
Beyond five years		**8,485,977**	8,434,293
		13,266,629	13,143,944
Medium term notes repayable:			
Within one year		**700,000**	–
In the second year		**600,000**	700,000
In the third to fifth years, inclusive		**2,200,000**	2,100,000
Beyond five years		**300,000**	–
		3,800,000	2,800,000
Other loans repayable:			
Within one year		**–**	75,500
In the second year		**–**	63,000
In the third to fifth years, inclusive		**138,500**	–
		138,500	138,500
Total bank and other loans		**17,205,129**	16,082,444
Portion classified as current liabilities		**(1,980,050)**	(1,274,550)
Non-current portion		**15,225,079**	14,807,894

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

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

(a) Bank loans were secured and guaranteed by:

	Notes	2016 RMB'000	2015 RMB'000
		(Amount of bank loans)	
Secured by concession rights of:			
Chengle Expressway	(i)	**106,400**	106,400
Chengren Expressway		**3,495,129**	3,768,444
Suiguang-Suixi Expressways		**7,461,100**	6,676,100
	13(a)	**11,062,629**	10,550,944
Secured by time deposits	(ii)	**1,000,000**	1,000,000
Secured by loan to customers	19	**220,000**	100,000
		12,282,629	11,650,944

(i) The bank loans were also guaranteed by Sichuan Highway Development for nil consideration (note 35(c)).

(ii) As at 31 December 2016, time deposits of RMB56,450,000 (2015: RMB112,150,000) were pledged to China Construction Bank Chengdu Xinhua Branch to counter guarantee the Group's bank loan of RMB1,000,000,000 (2015: RMB1,000,000,000) granted by China Construction Bank.

The bank loans bear interest at the fixed rates ranging from 4.41% to 6.55% (2015: 4.00% to 6.55%) per annum.

(b) At 31 December 2016, the Company had six (2015: five) tranches of outstanding medium term notes totaling RMB3,800,000,000 (2015: RMB2,800,000,000) issued to domestic institutional investors participating in the PRC interbank debt market. The effective interest rates for the medium term notes range from 3.48% to 6.30% (2015: 3.65% to 6.30%). The medium term notes were all issued at a par value of RMB100 per unit, and will be repaid between June 2017 and July 2024, with an original maturity period of five years.

(c) Other loans as at 31 December 2016 represent the unsecured shareholder's loan of RMB138,500,000 (2015: RMB138,500,000) granted to the Group by a non-controlling shareholder (note 35(g)), bearing interest at annual interest rates ranging from 4.28% to 6.51% (2015: 6.00% to 6.51%).

31. ISSUED CAPITAL

	2016	2015
	RMB'000	*RMB'000*
Issued and fully paid:		
A Shares of 2,162,740,000 (2015: 2,162,740,000) of RMB1.00 each	**2,162,740**	2,162,740
H Shares of 895,320,000 (2015: 895,320,000) of RMB1.00 each	**895,320**	895,320
	3,058,060	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 dividend and voting rights.

32. RESERVES

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 Generally Accepted Accounting Principles of the People's Republic of China ("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.

32. RESERVES *(Continued)*

(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.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its office buildings and service zones under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years. The terms 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Within one year	**2,442**	2,442
In the second to fifth years, inclusive	**3,725**	3,725
After five years	**4,426**	6,868
	10,593	13,035

(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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Within one year	**26,333**	29,790
In the second to fifth years, inclusive	**74,095**	74,444
After five years	**136,231**	138,598
	236,659	242,832

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following commitments at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Service concession arrangements	**109,132**	1,653,160
Capital contributions payable to a joint venture	**90,000**	150,000
	199,132	1,803,160

35. 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) 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 RMB11,544,000 (2015: RMB11,313,000). The fee was determined based on a service charge of 0.4% of toll income or RMB15,000,000 per annum, whichever is lower.

(b) During the year, the rental payable to Sichuan Highway Development for leasing out certain parts of its office buildings by Chengle Company amounted to RMB799,000 (2015: RMB799,000). 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 locations.

(c) At 31 December 2016, bank loans of Chengle Company aggregating RMB106,400,000 (2015: RMB106,400,000) were guaranteed by Sichuan Highway Development (note 30(a)(i)) for nil consideration.

(d) During the year, the Group leased out a certain part of its office buildings to STI Group for an annual rental of RMB2,442,000 (2015: RMB2,442,000). The directors consider that the office rental income received by the Group from STI Group as determined under the tenancy agreement is based on the market rate for similar premises in similar locations.

(e) 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 such services aggregated RMB1,121,143,000 (2015: RMB923,643,000).

(f) During the year, the Group purchased raw materials, machinery and electronic equipment for various infrastructure construction projects from subsidiaries of STI Group with an aggregate amount of RMB72,206,000 (2015: RMB151,287,000).

35. RELATED PARTY TRANSACTIONS *(Continued)*

(g) At 31 December 2016, Renshou Landmark had an outstanding loan due to its non-controlling shareholder, Sichuan Trading Landmark Co., Ltd. ("Trading Landmark"), amounting to RMB138,500,000, which will be repaid in September 2019. These balances are unsecured, with interest rates ranging from 4.28% to 6.51% (2015: 6.00% to 6.51%). In addition, Renshou Landmark had outstanding interest expenses payable to Trading Landing totalling RMB7,762,000 (2015: RMB9,013,000).

(h) During the year, a fellow subsidiary under common control of STI engaged by the Group to provide construction works of Suiguang-Suixi Expressways. Construction costs recognised by the Group for such services amounted to RMB240,000 (2015: RMB46,482,000).

(i) Pursuant to the sales agency agreement entered into between Renshou Landmark and Sichuan Trading Real Estate Co., Ltd, Renshou Landmark agreed to entrust Sichuan Trading Real Estate to conduct marketing planning for Renshou Landmark real estate project from 26 August 2016 to 31 December 2016. Sales commission recognised during the period was approximately RMB240,000 (2015: Nil).

(j) During the year, Renshou Landmark paid service fee to Sichuan Trading Real Estate Co., Ltd amounting to RMB1,291,000 (2015: Nil).

(k) Compensation of key management personnel of the Group:

	2016 *RMB'000*	2015 *RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**3,968**	3,740
Pension scheme contributions	**330**	320
Supplementary pension scheme contributions	**178**	167
	4,476	4,227
Total compensation paid to key management personnel	**4,796**	4,547

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 such transactions.

The related party transactions in respect of items (a), (b), (d), (e), (f) and (h) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year, the Group purchased the entire equity interests in CSI SCE at a consideration of RMB132,960,000. At the acquisition date, the Company and CSI hold 60% and 40% equity interests in Chengyu Financial Lease, respectively. Except for the investment in Chengyu Financial Lease, CSI SCE did not have any other assets. Upon completion of the acquisition, CSI SCE became an directly wholly-owned subsidiary of the Company and Chengyu Financial Lease became an indirect wholly-owned subsidiary of the Company. The difference of RMB2,515,000, being the difference between the purchase consideration and the carrying value of the share of net assets acquired of RMB130,445,000, has been recognised in equity.

The purchase consideration was fully settled by cash during the year.

(b) A subscription agreement was entered into between the Group and the Renshou Bank Preparatory Committee on 10 August 2015, pursuant to which the Group had paid the aggregate consideration for the subscription of shares amounted to RMB107,393,000 on 19 August 2015. The shares subscribed represent 9.99% of the issued share capital of Renshou Bank. The subscription for the shares was completed on 24 October 2016 after the share certificates had been issued to the Group upon approval from the government authorities.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Pledged deposits	**68,265**	55,700	**68,265**	55,700
Long term compensation receivables	**46,462**	52,197	**46,462**	52,197
Available-for-sale investments, listed equity investments	**65,274**	70,783	**65,274**	70,783
Loan to customers, non-current portion	**362,418**	481,108	**362,418**	481,108
	542,419	659,788	**542,419**	659,788
Financial liabilities				
Interest-bearing bank and other loans, non-current portion:				
– Bank loans	**11,986,579**	11,944,894	**11,333,609**	11,279,958
– Medium term notes	**3,100,000**	2,800,000	**2,932,458**	2,636,449
– Other loans	**138,500**	63,000	**129,947**	55,745
	15,225,079	14,807,894	**14,396,014**	13,972,152

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

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, loan to customers, and interest-bearing bank and other loans 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.

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

Fair value hierarchy

Assets measured at fair value:

	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*
As at 31 December 2016				
Financial assets				
Available-for-sale investments, listed equity investments	**65,274**	**–**	**–**	**65,274**

	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*
As at 31 December 2015				
Financial assets				
Available-for-sale investments, listed equity investments	70,783	–	–	70,783

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 (2015: Nil).

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

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016				
Pledged deposits, non-current portion	–	68,265	–	68,265
Long term compensation receivables, non-current portion	–	–	46,462	46,462
Loan to customers, non-current portion	–	–	362,418	362,418
	–	68,265	408,880	477,145

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015				
Pledged deposits, non-current portion	–	55,700	–	55,700
Long term compensation receivables, non-current portion	–	–	52,197	52,197
Loan to customers, non-current portion	–	–	481,108	481,108
	–	55,700	533,305	589,005

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

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2016				
Interest-bearing bank and other loans	**–**	**–**	**14,396,014**	**14,396,014**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015				
Interest-bearing bank and other loans	–	–	13,972,152	13,972,152

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 2016 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.

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:

	2016					
	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	**–**	**513,990**	**2,361,638**	**8,669,663**	**11,179,609**	**22,724,900**
Trade and other payables	**1,503,469**	**551,287**	**1,819,784**	**407,027**	**–**	**4,281,567**
	1,503,469	**1,065,277**	**4,181,422**	**9,076,690**	**11,179,609**	**27,006,467**

	2015					
	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	–	208,403	1,823,304	8,476,423	10,795,604	21,303,734
Trade and other payables	1,127,311	1,445,543	350,793	465,093	–	3,388,740
	1,127,311	1,653,946	2,174,097	8,941,516	10,795,604	24,692,474

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The long term compensation receivables from XDG and loan to customers do not expose the Group to any additional credit risk as (i) the credit risk associated has been factored in the imputed interest rate used for discounting the value of the compensation receivables and loan to customers in future to their carrying amount; (ii) the Group holds collateral over the loan to customers in the form of sale-leaseback principal of finance lease. In the event of any material default on interest payment terms, the Group is contractually entitled to enforce the security rights over any collateral and dispose of the assets underlying the leases to realise their value. As the Group's major customers in the construction contracts segment are the 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 2016 and 31 December 2015.

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 2016 was 61.81% (2015: 60.26%).

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$.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$ and RMB as a reasonable possible change of 5% in RMB against HK$ would have no significant financial impact on the Group's profit.

39. CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party claiming damage against the subsidiary for damaging the operating environment of swine farms. The Directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**374,687**	381,394
Service concession arrangements	**11,287,903**	11,613,479
Prepaid land lease payments	**240,132**	262,104
Investments in subsidiaries	**5,731,348**	4,941,439
Investment in a joint venture	**210,000**	150,000
Investments in associates	**38,438**	38,438
Available-for-sale investments	**118,399**	271,953
Other receivables	**9,951**	7,830
Due from subsidiaries	**2,829,347**	3,097,027
Payments in advance	**2,000**	2,000
Deferred tax assets	**9,337**	8,360
Pledged deposits	**68,265**	55,700
Total non-current assets	**20,919,807**	20,829,724
CURRENT ASSETS		
Inventories	**197**	197
Prepayments, deposits and other receivables	**138,656**	156,411
Due from subsidiaries	**579,024**	76,255
Pledged deposits	**–**	79,355
Cash and cash equivalents	**1,782,707**	1,112,094
Total current assets	**2,500,584**	1,424,312
CURRENT LIABILITIES		
Tax payable	**7,927**	73,145
Other payables and accruals	**537,914**	483,515
Interest-bearing bank and other loans	**1,760,050**	1,159,050
Due to subsidiaries	**169,138**	150,429
Total current liabilities	**2,475,029**	1,866,139
NET CURRENT ASSETS/(LIABILITIES)	**25,555**	(441,827)
TOTAL ASSETS LESS CURRENT LIABILITIES	**20,945,362**	20,387,897

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2016	2015
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other loans	**7,519,079**	7,882,394
Deferred income	**88,761**	87,620
Total non-current liabilities	**7,607,840**	7,970,014
Net assets	**13,337,522**	12,417,883
EQUITY		
Issued capital	**3,058,060**	3,058,060
Reserves *(note)*	**10,279,462**	9,359,823
Total equity	**13,337,522**	12,417,883

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Statutory surplus reserve	Retained profits	Available-for-sale investment revaluation reserve	Difference arising from the acquisition of non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	2,654,601	3,250,441	2,971,633	28,450	(244,529)	8,660,596
Total comprehensive income for the year	–	–	949,732	(5,860)	–	943,872
Transfer from/(to) reserves	–	382,495	(382,495)	–	–	–
Final 2014 dividend declared	–	–	(244,645)	–	–	(244,645)
At 31 December 2015 and 1 January 2016	**2,654,601**	**3,632,936**	**3,294,225**	**22,590**	**(244,529)**	**9,359,823**
Total comprehensive income for the year	**–**	**–**	**1,167,306**	**(3,022)**	**–**	**1,164,284**
Transfer from/(to) reserves	**–**	**469,268**	**(469,268)**	**–**	**–**	**–**
Final 2015 dividend declared	**–**	**–**	**(244,645)**	**–**	**–**	**(244,645)**
At 31 December 2016	**2,654,601**	**4,102,204**	**3,747,618**	**19,568**	**(244,529)**	**10,279,462**

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.

41. EVENT AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, the Group had no events after the reporting period that need to be disclosed.

42. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 March 2017.