Sichuan Expressway Company Limited

(Stock Code: 00107)

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

2018 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
Chengle Operation Branch	Operation and Management Branch of Sichuan Chengle Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengya Oil Company	Sichuan Chengya Expressway Oil Supply Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited
Chengyu Branch	Sichuan Expressway Company Limited Chengyu Branch
Chengyu Development Fund	Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership)

Chengyu Education Company	Sichuan Chengyu Education Investment Co., Ltd.
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
Chengyu Jianxin Fund Company	Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd.
Chengyu Logistics Company	Sichuan Chengyu Logistics Company Limited (四川成渝物流有限公司)
Commercial Factoring Company	Tianyi United Commercial Factoring(Luzhou)Company Limited (天乙多聯商業保理(瀘州)有限公司)
CSI SCE	CSI SCE Investment Holding Limited
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
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Chengxing Company	Ziyang Shunan Chengxing Project Construction & Management Co., Ltd.
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
Tianyi United Company (天乙多聯公司)	Sichuan Tianyi United Investment & Development Co., Ltd (四川省天乙多聯投資發展有限公司)
Trading Construction Company (TCC)	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.

DEFINITIONS (CONTINUED)

III. OTHERS

2018 AGM	the 2018 annual general meeting of the Company to be held on 5 June 2019 (Wednesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 18 April 2019 (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
BOT Project	build-operation-transfer project
BT Project	build-transfer project
Chengle Expressway Capacity Expansion Construction Project	Capacity Expansion Construction Project for Chengdu to Leshan Expressway
Chengle Expressway Capacity Expansion Trial Project	Capacity Expansion Trial Project for Qinglongchang to Meishan Section of Chengle Expressway
China Merchants Expressway Company	China Merchants Expressway Network and Technology Holdings Co. LTD Company (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	20 June 2019 (Thursday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2018 final dividend of the Company (if approved by the Shareholders at the 2018 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
RMB	Renminbi, 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
Sichuan Expressway Construction and Development	Sichuan Expressway Construction & Development Group Co., Ltd. (formerly known as "Sichuan Speedway Construction Development General Company"), a subsidiary of STIG
SSE	Shanghai Stock Exchange
STIG	Sichuan Transportation Investment Group Corporation Limited, the controlling shareholder of the Company
STIG Group	STIG and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategic Committee	the strategic committee under the Board
Suiguang Suixi Expressways BOT Project	the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build-operate-transfer)
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	supervisory committee of the Company
Trading Property Company	Sichuan Trading Property Company Limited (四川交投地產有限公司) (previously known as "Sichuan Trading Landmark Company Limited")
Year or Reporting Period	the 12 months ended 31 December 2018

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	Wang Aihua
Tel	(86) 28–8552–6105
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)

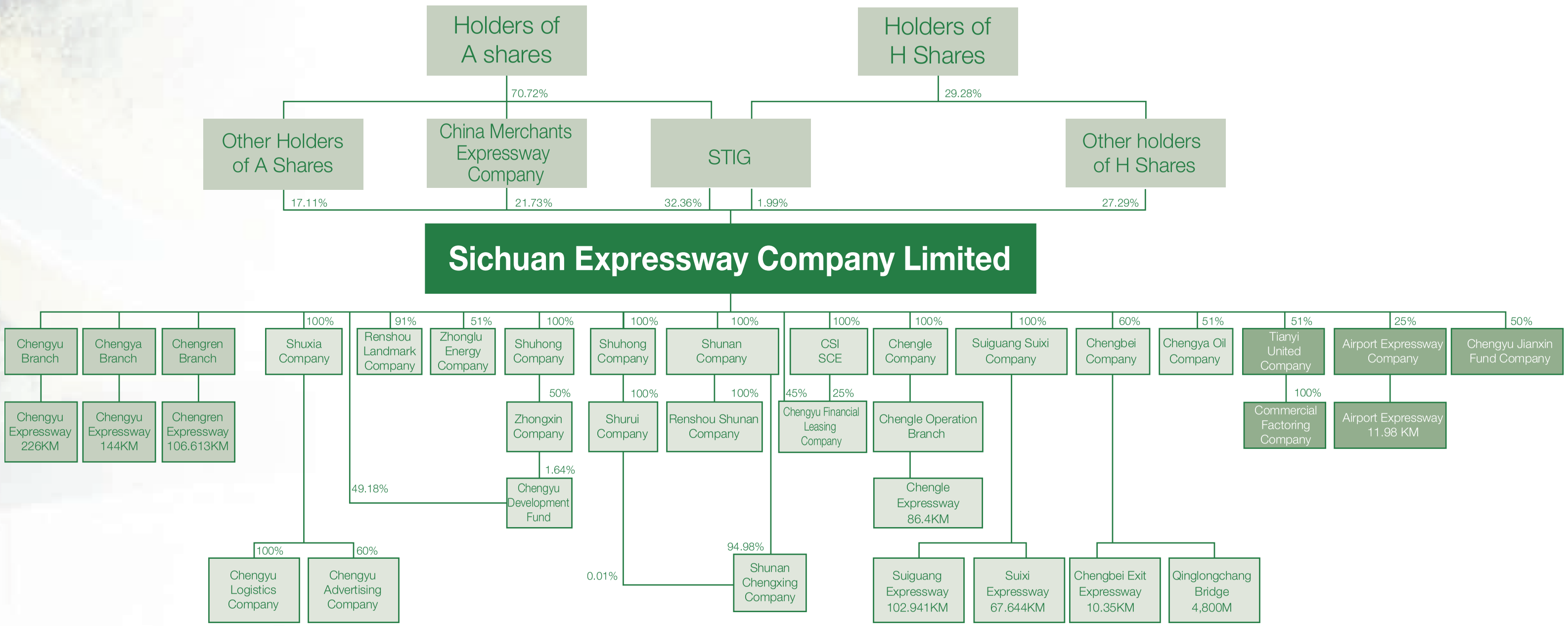
Place for Inspection of the Annual Report of the Company	PRC:	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
	Hong Kong:	22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young Certified Public Accountants 22/F, CITIC Tower, 1 Tim Mei Avenue, 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	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) 13th Floor, Block B, OCG International Center, No. 158 Tianfu 4th Avenue, GaoXin District, Chengdu, Sichuan Province, the PRC (中國四川省成都市高新區天府四街158號OCG國際中心B座13層)	
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 2018, the toll length of expressways of the Group has reached approximately 744km in total. The Group's total asset and net asset were approximately RMB36,035,058,000 and RMB14,884,399,000 respectively.

For the year ended 31 December 2018, the total number of share capital of the Company is 3,058,060,000 Shares (including 895,320,000 H Shares and 2,162,740,000 A Shares), the shareholders and asset structure of the Company are 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 2018, the Group, committed to the underlying principle of "pursuing progress while maintaining stability and making breakthroughs in innovation", coped with the complicated and ever-changing domestic situation and carried out the arduous breakthrough tasks for development with calmness and composure. In virtue of wholehearted solidarity and brave endeavors of employees at all levels, the Company has laid a strong and solid foundation for building the Group into a large infrastructure conglomerate with stronger core competitiveness, better-established business layout and further standardized modern corporate systems.

RESULTS AND DIVIDENDS

In 2018, the Group's profit attributable to the owners of the Company was approximately RMB849,638,000, representing a year-on-year decrease of 5%. Basic earnings per share were approximately RMB0.278 (2017: approximately RMB0.292). In accordance with the provisions in the Articles of Association of the Company, if the Company distributes cash dividend, the sum of such cash dividend shall not be less than 30% of the profit available for distribution to the Shareholders recorded by the Company for the period concerned (the lower of the profit available for distribution to the Shareholders under PRC accounting standards and that under foreign accounting standards). To reward and thank the Shareholders for their continued support to the Group, the Board has recommended a final cash dividend for the year 2018 of RMB0.10 per share (tax inclusive), aggregating to approximately RMB305,806,000, representing 49.87% of the profit available for distribution to the Shareholders recorded by the Company for the year in accordance with the PRC accounting standards and 36.01% of the profit attributable to the owners of the Company (calculated under the PRC accounting standards) as shown in the consolidated financial statements of the Company. The proposed dividend is subject to approval at the forthcoming 2018 Annual General Meeting of the Company.

REVIEW

In terms of the macro economic trends, in 2018, faced with complicated international political and economic situations, the central government of the PRC strived to strengthen inherent dynamism and resolved risks and hidden perils through multiple measures. As a result, country's macro control targets were well achieved, with economy maintaining sustained, healthy development, and the whole society remaining stable. Under such background, the government of Sichuan province further pressed ahead such significant deployments as "one trunk with multiple branches and synergic development of five districts (一干多支, 五區協同)[1]" and "four-pronged expansion and all-front opening up (四向拓展, 全域開放)[2]", and put forth efforts to establish the "5+1[3]" modern industrial systems. The GDP of Sichuan province for the year amounted to RMB4,067,813 million, representing a year-on-year increase of 8%[4], and the construction of an economically strong province marched into a new stage. On the whole, the generally stable and sound macro economy has created favorable external conditions for the breakthrough development of the Company. Meanwhile, the increasingly expanding opening-up and constantly raising development space and level also brought along benefits and opportunities for the Company in expanding relevant expressway business, furthering cooperation with state-owned enterprises at provincial and municipal levels, and achieving development to a wider extent. **In terms of the development of the industry**, in 2018, the outset year for the goal of building China's strength in transportation as put forward at the 19th CPC National Congress, the promotion of intelligent and information-based transport was accelerated so as to adapt to new demands and requirements and head toward the new future. In regard to the top-level design, in order to improve the operation efficiency of road network and reduce logistics costs, pilot programs for selected areas were launched to advance differentiated toll collection, remove inter-provincial toll stations alongside expressways and accelerate the development of multimodal transport, utilization of ETC and interconnected operation services were expanded and levelled up in all dimensions, exploration and application of new technologies were encouraged, and research on technology of non-stop toll collection for trucks was intensified. All such top-level design measures indicated that the expressway industry was going through significant changes in respect of operation and management mode. The year 2018 was also a critical year which witnessed the construction of a modern comprehensive transportation systems under the 13th-five year plan as put forward by Sichuan province. The accelerated promotion of the supply-side structural reform in respect of the transportation industry across the province, the endeavors in boosting the transformation of a big transport province into a strong transport province and the promulgation of a series of policies encouraging and supporting the integrated development of transportation and tourism all hastened the new trends and new modes for the development of tourism and transport industry. As the transport industry was still at a strategic opportunity stage with bright prospects on the whole, the Company would embrace significant opportunities for its development via transformation and upgrade, thorough exploitation of expressway resources and expansion of relevant varied industries.

1 "one trunk with multiple branches and synergic development of five districts (一干多支, 五區協同)" refers to promote the driving effects of Chengdu, acting as the backbone, to achieve the competitive development of the "multiple areas" comprising the economic circle surrounding Chengdu as well as South Sichuan, Northeast Sichuan and the western Panzhihua economic areas, and seek for the synergic development of Chengdu Plain, South Sichuan, Northeast Sichuan, Panxi Economic Zone and Northwest Sichuan Ecological Demonstration Zone, thus constructing a new regional development pattern.

2 "four-pronged expansion and all-front opening up (四向拓展、全域開放)" means to advance the construction of the open mega channel focusing on tridimensional traffic facilities, create a high-standard open platform and thus form a new tridimensional and comprehensive opening up by highlighting the south, improving the east, furthering the west and expanding the north.

3 "5+1" modern industries: "5" refers to the establishment of trillion-level pillar industries in respect of electronic information, equipment manufacturing, food and beverage, advanced materials and energy and chemical engineering; whereas "1" means to develop digital economy with great efforts.

4 Source: the preliminarily calculated results as published by Sichuan Provincial Bureau of Statistics.

Development is accompanied by risks and opportunities and challenges arise together. Faced with the profound changes in the external environment, we understand that external elements are merely catalyzers for the development of the Company while it is the identification of core competence steering the sustainable development of the Company and full nurturing and planning in regard thereof that show the true and lasting value of the Company. In 2018, having made thorough studies and analysis on the economic and social development trends, the Group exerted great efforts to make arrangements on relevant varied industries on the basis of toll roads and bridges in virtue of its advantages and initiatives, and had made great headway in each task.

– **Clearer development positioning and roadmap.** The Company sized up the situations and took initiative to cater to the new development pattern of the province. After rational analysis on and prudent consideration of its own characteristics, the Company adjusted its development plan for remaining two years under the "13th-five-year" plan of the Group and formulated the new "13th-Five-Year" Development Strategy and Plan, which specified that the Company would continue to have its foothold established in expressway construction and operation business, promote the development of varied industries that are highly relevant to its principal business and strive to establish the "five major business segments" consisting of toll roads and bridges segment (as core business), and city operation, financial investment, energy investment, and culture, tourism and healthcare (as growth drivers). The new plan also put forward for the first time that the Company shall develop the "transport, tourism, cultural and education" business in reliance upon its road networking resources, which means to make entry into the cultural and education industry via vocational education and preschool education services, establish destination scenic spots focusing on transport and tourism and develop a presence in the healthcare service sector with an aim to creating business synergies. The new strategic plan set forth more rational and dynamic business layout for the "five major segments".

– **Enhanced strengths and potential.** The Company came 80th on the list of 2018 Top 100 Enterprises and Conglomerates in Sichuan Province, and ranked among the Top 100 Foreign Invested Enterprises in Sichuan in terms of both revenue and total tax. The toll roads and bridges segment achieved a new record high: the toll income of the Group for the whole year amounted to RMB3,582 million (inclusive of tax), representing a year-on-year increase of 11.04%. Initial achievements were made in the relevant diversified operations: following the strategy of footing in the transportation industry and pursuing industry and finance integration, Chengyu Financial Leasing Company made a total investment of RMB823 million, realizing operating revenue and net profit of RMB88 million and RMB36 million, respectively; thanks to its enhanced market analysis capability, the Company gained insight into the movement trends of oil prices and timely adjusted the inventory level of the energy segment, deriving revenue after tax of RMB1,907 million and net profit of RMB66 million from the energy segment; the Company timely seized the opportunities arising from the demand of local citizens for house purchasing in the periphery of Chengdu, and realized satisfactory sales for the Renshou Beichengshidai Project (phase II), with number of signed contracts of 1,109, contracted sales of RMB790 million and cash collection of RMB374 million; and the cash collection from projects in cooperation with governments in Shuangliu, Ziyang and Renshou throughout the year amounted to RMB330 million and there were no outstanding overdue receivables.

– **Acceleration of the construction of key projects.** Remarkable achievements were made in the construction of major transportation projects: investment made in the construction of the Chengle Expressway Capacity Expansion Project throughout the year amounted to RMB1,734 million with a target completion rate of 100%, which was due to the well-planned schedule and the efforts made by the Company to tackle adverse factors such as the delay in the receipt of the approval for preliminary design. Breakthroughs were made in the final acceptance of major projects: the final acceptance of Chengren Expressway was completed with the highest overall score within Sichuan Province and the approval for extended term of trail toll collection was obtained; the acceptance of Suiguang-Suixi Expressway Project regarding environmental protection, water and soil conservation, and rectification of deficiencies was basically completed, laying a solid foundation for final acceptance of the project; Renshou BT Project was fully completed, the final acceptance and transfer of 7 projects including Renshou Gaotan Reservoir Road Project was completed and the audit work of 15 projects including landscape engineering of Central Business Avenue was completed.

– **Diversified development gaining strong momentum.** Ground-breaking progress was made in the transport, tourism, culture and education segment: the Company formed strategic partnership with Ya'an Transportation Bureau (雅安市交通局) and successfully won the bid for and entered into a MOU in respect of the Dachuan River Health Tourism Project in Lushan County (蘆山縣大川河健康旅遊項目); a provincial multi-modal transportation company was established in cooperation with Chengdu Railway Bureau and Chengdu Communications Investment Group, with effort for establishing Chengdu Company going smoothly; the Tianfu Airport Project was accredited as one of the key projects under the State Western Region Development Strategy and obtained special fiscal subsidy from the central government; and the Company made entry into the multimodal transportation business and supply chain finance business, as evidenced by the incorporation of the first commercial factoring company in Sichuan Province and its commencement of business operation as well as the successful introduction of "transportation of timber from Henan to Sichuan" and "transportation of sugar from Yunnan to Sichuan" projects by relying on the resources of our shareholders.

- **Impressive results achieved in financial management and fundraising and financing activities.** Under the high pressure of risks prevention, de-leveraging and strict regulation, the Company kept the AAA level in terms of corporate and facility credit ratings, maintained a good image in the capital market and obtained a fiscal subsidy of RMB4.85 million on encouraging direct financing in Sichuan Province. Amid a tight capital environment, the Company maintained low interest rates on new loans and completed financing activities amounting to RMB3.4 billion during the year. The fundraising ability of the financial sector has been increasingly strengthened. Chengyu Financial Leasing Company gradually achieved self-funding development and was granted credit facilities of RMB940 million by banks with RMB240 million withdrawn. The Company actively sought for syndicated loans for Chengle Expressway Capacity Expansion Construction Project, with a upfront loan of RMB540 million for the project drawn down during the year. The Company strengthened its study and judgement on policies and deepened its cooperation with banks to tap its interior potential, so as to increasingly improve the Company's financial support capacity and debt risk prevention capacity.

- **Corporate governance capacity being continuously strengthened.** Breakthroughs have been achieved in forming a flat organizational structure, with internal operation efficiency improved. The Company attached great importance to the establishment of a talent team, and boosted the vitality of internal systems and mechanisms via defining promotion channels and improving appraisal systems. It revised and amended the Internal Control Manual, optimized and adjusted 39 primary business processes and carried out internal control tests. 13 implementation-related problems were identified and addressed to guarantee the high-quality development of the Company. The Company revised the Articles of Association, maintained and improved investor relations, and enhanced information disclosure. As a result, the Company won the "Best Corporate Governance Award" (最佳企業管治獎) for listed companies from the China Financial Market for three consecutive years and was honored as a Grade-A company in terms of information disclosure by the Shanghai Stock Exchange for five consecutive years.

PROSPECTS AND STRATEGIES

In the global context, great changes are brewing amid increasingly complex macroeconomic condition and development environment.

In China, the Central Economic Work Conference charted country's economic development landscape, pointing out that China is still and will be in an important period of strategic opportunity for development for a long time to come. Adhering to the general principle of making progress while maintaining stability, the country will push for high-quality development, accelerate reform and opening-up and continue to implement the proactive fiscal policy and the prudent monetary policy, so as to secure overall economic stability amid steady progress. Nonetheless, there will be changes and worrisome developments amid generally steady economic operation, the downward pressure will persist and cyclical and structural contradictions should not be underestimated.

In Sichuan Province, the government of the province proactively follows the central government's "Belt & Road" development strategy, and is ready to seize opportunities arising from the development of the Yangtze River Economic Belt and the new round of the "Great Western Development". In particular, since the third and fourth plenary meetings of the 11th Sichuan Provincial Committee of the CPC, the provincial government has striven to push for high-quality development and implement its development strategy of "one trunk with multiple branches and synergic development of five districts (一干多支, 五區協同)"and "four-pronged expansion and all-front opening up (四向拓展、全域開放)". In this regard, efforts have been made to speed up the construction of a comprehensive modern transportation system and implement the three-year action plan for transport infrastructure construction and the policy for growing county economies and developing cultural tourism. All this has presented good opportunities for the Company in building a road-based economy, deepening cooperation with governments and strengthening capital operation.

In terms of the industry development trends, as increased efforts have be made to develop strong transportation systems at both country and provincial levels, service facilities are improving and public travel demand are rising rapidly, calling for transportation enterprises to provide quality services. Thanks to constant innovation in the field of transportation science and technology, the development of electric vehicles, automatic driving technology, 5G network and Beidou navigation and positioning technology has pushed the industry to develop in the direction of road connectivity, Internet of Vehicles, people networking and network-based information dissemination and sharing, accelerating the construction of intelligent expressways has become a general trend. Policies for toll roads and accelerating the optimization of transportation structure and top-level policies have been rolled out in succession to promote multimodal transport of bulk cargo (i.e. using two or more transport modes, such as air, road, rail, or sea, with a single rate), and encourage the integration of "transportation + industry" to become a new path and mode of innovative development. On the whole, the transportation industry is in a golden period of infrastructure construction, service improvement, and transformational development.

In terms of the development of the Company, over the years, the Company has built up a number of core development strengths and potentials, such as prime expressway assets, a good image in the capital markets, efficient standardized managements systems and an extensive diversified talent pool. However, the Company still needs to speed up its structural optimization and adjustment to finally create a multi-point, multi-pole supporting business structure, and diversify income streams to enhance profitability and reduce reliance on toll roads and bridges. To realize the vision of growing itself into a long-lasting company that creates value, pursues innovation and cares for staff's happiness (百年成渝、價值成渝、創新成渝、幸福成渝), the Company shall make extra effort and speed up development.

Forewarned is forearmed. We shall weigh up the situations from a dialectical perspective, grasp the opportunities and rise to the challenges. To this end, we need to align our thoughts and actions with our strategy of developing diversified operations that are highly relevant to our principal business, and give due regard to such strategy when making work arrangements and deployment for this year and beyond. First, we will stay committed to developing and strengthening our core business – toll roads and bridges, implement quality management in an all-round way, make more efforts to create business synergies, promote technological innovations, and build up our brand in the field of expressway investment and operation, thus establishing the Company as a benchmark in terms of innovation, reform and development in operation and management. Second, we will steadfastly pursue reform and innovation, give a more central role to strategy, be more problem-oriented and efficiency-minded, focus on solving the bottlenecks in our institutions and mechanisms, and deepen reform to promote institutional innovation and talent cultivation as the new drivers for the development of the Company. Third, we will make sustained efforts to strengthen our capabilities, focus on improving our core business capabilities in terms of investment management, construction management, financial management and risk control, build the Company into a learning organization, and create an innovative team, thereby reinforcing the foundation for strategy implementation and having the Company firmly anchored in its main business.

Unity gives us strength; good solid work will make our dreams come true. In 2019 we will adhere to the underlying guideline of pursuing progress while maintaining stability and making breakthroughs in innovation, persistently promote the efficient and coordinated development of the "five major business segments", optimize asset management and capital operation, deepen reform, enhance capacities and innovate development, thereby laying a solid foundation for achieving the Company's development goals for the Thirteenth Five-Year Plan period and making new progress for the sustainable high-quality development of the Company.

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 their support and trust, and my sincere appreciation to our directors, supervisors, management and staff for their hard work over the past year.

Zhou Liming
Chairman

Chengdu, Sichuan Province, the PRC
28 March 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW AND ANALYSIS

(i) Results overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and carries out diversified operations which are highly relevant to our principal business. Its businesses cover five major segments, namely, the "toll roads and bridges", "financial investment", "city operation", "energy investment" and "transport, tourism, culture and education". In 2018, the Group insisted on making progress while maintaining stability and making breakthroughs in innovation, and managed to achieve sustained and healthy operation and development by capitalizing on opportunities and striving to forge ahead. The Group's revenue from construction contracts included in the scope of consolidation has decreased substantially since the Group divested its road construction assets with lower gross margins in October 2017. Meanwhile, the decrease in the sales volume of chemical products and the number of properties delivered in the period as compared with the same period last year resulted in a year-on-year decrease of approximately 23.05% in the total revenue of the Group in the Reporting Period; while the capital gains from the above mentioned disposal of assets (approximately RMB138,470,000) were recognized in 2017 and the Group did not record similar large amount of gains from transfer of assets or equity interests in 2018, which also caused a year-on-year decrease in other income for the year. However, benefited from the natural growth in vehicle traffic as driven by the regional economic development along the Group's expressways as well as the vigorous implementation of refined management and measures for increasing revenue and saving expenditures by the Company, the toll income and profit of the Group maintained a growing momentum, which effectively offset the impact of the aforesaid adverse factors. As a result, the equity attributable to owners of the Group for the period dropped slightly by approximately 5% year-on- year. In the future, with further advancement of the diversified development strategy which is highly related to the Group's main business, the revenue contribution from the "financial investment", "city operation", "transport, tourism, culture and education" and other sectors of the Company will be increased continuously in the future. The Company is confident in constantly promoting the high quality and sustainable development of the Group.

In the Year, the net revenue of the Group amounted to approximately RMB6,820,997,000, representing a decrease of approximately23.05% year-on-year, among which the net toll income amounted to approximately RMB3,567,976,000, up approximately 11.06% year-on-year; the net revenue from construction contracts amounted to approximately RMB1,064,118,000, down approximately 58.05% year-on-year (including the revenue from construction contracts of approximately RMB688,171,000 from Chengdu-Leshan Expressway Expansion Project, which was recognized according to the HKFRs, down approximately 11.30% year-on-year); the net revenue from operation of gas stations along the expressways amounted to approximately RMB1,907,383,000, representing a decrease of approximately 27.11% year-on-year; the net revenue from property development amounted

to RMB105,743,000, down approximately 69.27% year-on-year. Other income and gains amounted to approximately RMB239,154,000, down approximately 9.01 % year- on-year. The profit attributable to the owners of the Company was approximately RMB849,638,000, representing a decrease of 5 % year-on-year. Basic earnings per Share were approximately RMB0.278 (2017: approximately RMB0.292). As at 31 December 2018, the Group's total assets amounted to approximately RMB36,035,058,000and net assets amounted to approximately RMB14,884,399,000.

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

	Income for 2018 (after revenue taxes) *(RMB'000)*	**Year-on- year increase/ (decrease) in income for 2018** *(%)*	**Profit/(loss) for 2018** *(RMB'000)*	**Year-on- year increase/ (decrease) in profit/(loss) for 2018** *(%)*
Chengyu Branch *(Note 1)*	826,831	4.66	267,238	1.53
Chengya Branch *(Note 1)*	913,355	8.13	375,070	4.34
Chengren Branch *(Note 1, 2)*	864,868	13.34	284,001	43.67
Chengle Company *(Note 3)*	561,958	17.49	309,293	22.78
Chengbei Company	115,807	5.70	55,125	1.16
Suiguang-Suixi Company	285,159	25.57	(427,262)	3.41
Shunan Company *(Note 4)*	25,300	(49.67)	(29,000)	0.91
Renshou Shunan Company *(Note 4)*	124,186	(54.40)	84,208	(1.87)
Ziyang Shunan Company *(Note 5)*	220,491	(1.65)	7,446	198.56
Shuhong Company *(Note 6)*	(52)	(766.67)	(12,838)	(66.81)
Shurui Company *(Note 7)*	39,083	103.79	(7,881)	48.10
Shuxia Company	61,528	2.80	17,529	(11.00)
Chengyu Advertising Company	6,409	(13.52)	67	157.70
Chengyu Logistics Company	–	N/A	–	N/A
Shuhai Company *(Note 8)*	–	N/A	(8,421)	(222.51)
Chengya Oil Company	487,659	13.49	42,174	(15.10)
Zhonglu Energy Company *(Note 9)*	1,422,692	(35.12)	24,268	18.02
Renshou Landmark Company *(Note 10)*	105,743	(69.27)	(146,840)	(128.52)
Chengyu Financial Leasing Company *(Note 11)*	87,505	31.62	36,345	52.71

Notes:

1: When calculating the profits of Chengyu Branch, Chengya Branch and Chengren Branch, the impact of income tax (15%) was taken into account.

2: The profit of Chengren Branch increased by RMB86,326,000 or 43.67% from that of last year, mainly because the toll income (after revenue taxes) had a year-on-year increase of RMB101,794,000 or 13.34%, which was mainly driven by (1) rapid economic development along Chengren Expressway in a sustained manner; (2) increase in the truck flow for delivery of construction materials, sand and stone, bulk cement exiting from Wan'an, Xinglong and Dalin toll stations as a result of the ongoing construction of the green ecological zone of Tianfu New District, Chengdu Tianfu International Airport, Shigao Economic Development Zone and Line 18 of Chengdu Metro; (3) the substantial increase in the traffic flow during holidays travelling to Wan'an, Xinglong, Dalin and Wengong brought about by consistent prosperity of the tourism along Chengren Expressway; (4) an increase in the traffic flow through Renshou-Muchuan-Xinshi and Suining-Ziyang-Meishan Expressways by certain vehicles in the area of Leshan taking detour due to toll-free travel along Jianyang-Pujiang Expressway and Renshou-Muchuan-Xinshi Expressway; (5) an increase in the traffic flow arising from redirection of those vehicles heading for Sichuan from Chongqing by exiting via Reshou, especially for truck, due to the official commencement of tolling along the Sichuan section of G5013 Chengdu-Chongqing Expressway on 2 January 2018; (6) an increase in the revenue along Hongxing South Expressway, Shigao section of Tianfu Avenue, Chengren Fast Track due to return of certain vehicles as a result of stable diverting thereof; (7) an increase in toll attributable to larger traffic flow for transporting raw coal from Wangyang Town to Shenshi Brick Factory at Wengong Town and Guohua Brick Factory at Qingshui Town. Save as disclosed above, the finance cost recorded a year-on-year decrease of RMB25,956,000 due to gradual repayment of loans received during the construction period as scheduled.

3: The profit of Chengle Expressway recorded an increase of RMB57,389,000 or 22.78% as compared with that of last year, mainly because the toll income (after revenue taxes) had a year-on-year increase of RMB83,653,000 or 17.49%, which was mainly driven by (1) an increase in the traffic flow along the Group's expressways for delivery of sand and stone, cement, lime sludge, tiles and other materials resulting from regional economic development; (2) an increase in the traffic flow along Leshan Beltway and the 3rd Chengdu Beltway (i.e. S4203, a beltway of the Chengdu Economic Zone) because these expressways were open for free on 1 January 2018; (3) an additional distance was covered by the traffic flow due to the construction of the connection line outside of the Jiajiang toll station; (4) an increase in the revenue as compared with that of last year because the Company strengthened tolling-based management for preventing from escape of toll.

4: Shunan Company and Renshou Shunan Company recorded a decrease in the revenue for the year, respectively, because most of their BT projects had been completed for auditing.

5: Ziyang Shunan Company recorded an increase of 198.56% in the profit this year as compared with that of last year, mainly due to the interest income recognized for land requisition and relocation fees and other preliminary investment at the interest rate of 5.92% per annum in accordance with the agreement of relevant contracts.

6: Shuhong Company recorded a decrease in the profit due to its higher administrative expenses as a result of its adjustment made to the office layout and staff arrangement according to its subsequent planning of the project.

7: Shurui Company recorded an increase of 103.79% and 48.10% in the revenue and profit for the year respectively because Renshou BT Project registered some revenue from partial commencement of construction following completion of the relocation carried out by the government, and it won the bids of EPC project, renovation project of Jianheng Development Center, canteen project for Chengdu-Zunyi Expressway (i.e. Chengren Expressway) and other projects.

8: Shuhai Company recorded a decrease of 222.51% in profit for this year as compared with that of last year, mainly due to receipt of liquidated damage of RMB16,250,000 for the last year while no such case occurred for this year.

9: Zhonglu Energy Company recorded a decrease of 35.12% in the operating revenue for this year mainly due to lower sales volume of the chemical products for this year, though such adverse factor was partially offset by the gross profit margin of the refined oil product which was much higher than that of the chemical products.

10: Renshou Landmark Company registered a dramatic year-on-year decrease in the revenue because the majority of 1–5 units of buildings in the Project Beichengshidai (phase one) were delivered in 2017 and the fewer remaining ones were delivered in this year. In addition, an increase in loss was recorded in the parking lots held by the Group due to provision was made for impairment arising from the fluctuation in its market price.

11: Chengyu Financial Leasing Company registered an increase of 31.62% and 52.71% in the operating revenue and profit for this year, mainly due to an increase of 18.96% in the investment amount used for the new projects in this year and because most of the projects were delivered in the first half of the year which yielded higher rental income and interest income, on the one hand, and Chengyu Financial Leasing Company increased its capital in December 2017 which helped reduce its borrowings cost, on the other hand.

(ii) Operation conditions of the "toll roads and bridges" segment of the Group

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

Item	Shareholding percentage (%)	Average daily traffic flow (vehicles) 2018	2017	Increase/ (decrease) (%)	Toll income (before revenue taxes) (RMB'000) 2018	2017	Increase/ (decrease) (%)
Chengyu Expressway	100	**25,045**	22,387	11.87	**830,186**	792,977	4.69
Chengya Expressway	100	**40,336**	40,566	(0.57)	**917,069**	848,662	8.06
Chengren Expressway	100	**39,866**	35,062	13.70	**868,040**	765,904	13.34
Chengle Expressway	100	**35,276**	34.563	2.06	**564,117**	480,141	17.49
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	**58,716**	53,026	10.73	**116,571**	110,193	5.79
Suiguang Expressway	100	**6,082**	5,077	19.80	**184,831**	152,754	21.00
Suixi Expressway	100	**2,641**	2,443	8.10	**101,532**	75,505	34.47

In 2018, the toll income (before revenue taxes) of the Group was approximately RMB3,582,346,000, representing an increase of approximately 11.04 % as compared with last year. The percentage of the toll income to the Group's operating revenue from main business (after revenue taxes) was approximately 52.31 %, representing an increase of approximately 16.07 % when compared with 36.24% last year. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's business of expressways:

(1) Economic factors

In 2018, the gross domestic product (GDP) for the Year amounted to RMB90,030.9 billion, representing a year-on-year increase of 6.6% based on comparable prices, achieving the expected development goal of approximately 6.5%[1]; Sichuan Province achieved a regional GDP of approximately RMB4,067,813 million, representing an increase of 8% as compared to last year, which is 1.4% higher than the national average level[2]. The sound economic development environment has led to an increase in demand for regional transportation, especially for freight transportation. Most of the toll road projects of the Group recorded certain increase in traffic flow as compared with the same period of last year. The Group's total toll income increased by 11.04%.

1 Source: Preliminary results released by the National Bureau of Statistics of China
2 Source: Preliminary results released by the Sichuan Provincial Bureau of Statistics

(2) Policy factors

During the Reporting Period, the Group's toll income was continuously impacted by the following factors: the continued implementation of policies including the toll-free policy for small passenger cars during holidays, and easy access for fresh green products; further implementation of 5% discount policy of Sichuan Expressway Electronic Toll Collection System ("ETC"). ETC users of all the expressways across the province exceeded 3.90 million[3] as at 31 December 2018; the proactive promotion of the environmentally-friendly rail transport to substitute road transport across the nation, as well as the overload and over-limit control on expressways in Sichuan Province in a more comprehensive and deepened manner.

In addition, the following documents which have impacts on policies on operation of expressways in the province issued by Sichuan Province at the end of 2018 and early in 2019 will likely affect the operational performance of the expressways of the Group in 2019.

– On 18 December 2018, the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department issued the Announcement in Relation to Weight-Based Tolling for Cargo Vehicles on Toll Roads (關於收費公路貨車計重收費有關事項的公告): according to the provisions of Administrative Measures of Sichuan Administrative Governing Documents (四川省行政規範性文件管理辦法) and as approved by the provincial government of Sichuan, the Notice of the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department on Application of Preferential Toll to the Normally Loaded

3 Source: Department of Transportation of Sichuan Province

Legitimate Transport Vehicles (四川省交通運輸廳四川省發展和改革委員會四川省財政廳關於對正常裝載合法運輸車輛通行費實行優惠的通知) (Chuan Jiao Fa [2014] No. 1) which had been implemented since 15 January 2014 would no longer be implemented upon its expiry on 14 January 2019. Commencing from 15 January 2019, the 20% preferential toll cut applicable to normally loaded 2-shaft and 3-shaft weight-based-tolling cargo vehicles as well as the 30% preferential toll cut applicable to normally loaded 4-shaft (or above) weight-based-tolling cargo vehicles would no longer be implemented. The tolls to be collected for such vehicles would be calculated based on the basic weight-based-tolling rates for cargo vehicles.

– According to the Notice on Collection of Toll against Passenger Vehicles of 20 to 30 Seats as Class III Vehicles issued by the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department on 24 December 2018, from 1 January 2019, the policy on toll based on downward classification would no longer be executed for passenger vehicles of 20 to 30 seats, the toll for which would be restored to that for class III vehicles.

– On 22 March 2019, Sichuan Provincial Department of Transportation, Sichuan Provincial Development and Reform Commission and the Sichuan Provincial Department of Finance issued the Notice of Sichuan Provincial Department of Transportation, Sichuan Provincial Development and Reform Commission and the Sichuan Provincial Department of Finance on Implementation of Differentiated Toll Collection for Expressways《(四川省交通廳四川省發展和改革委員會四川省財政廳關於實施高速公路差異化收費的通知》) (the "Notice"), pursuant to which, differentiated toll collection will be implemented for toll-by-weight trucks which are normally loaded for legal transportation in Sichuan Province with effect from 00:00 on 1 April 2019. The main contents are as follows:

1. Implementation of differentiated toll collection of "lower unit transportation cost for longer distance" for ordinary trucks on 53 expressway sections which are wholly state-owned or controlled by Sichuan Province for a period of 1 year. The implementation method is set out in the following table:

Total mileage in the expressway network / Axle type of ordinary trucks	Single continuous mileage of less than 100 km (100 km excluded)	Single continuous mileage of 100 km–200 km	Single continuous mileage of over 200 km (200 km excluded)
2 axles, 3 axles	–	A discount of 5% for the toll of 53 expressway sections	A discount of 10% for the toll of 53 expressway sections
4 axles or above	A discount of 5% for the toll of 53 expressway sections	A discount of 10% for the toll of 53 expressway sections	A discount of 15% for the toll of 53 expressway sections

2. Implementation of differentiated toll collection for international standard containers in the expressway network of the province for a period of 5 years (The expressway toll will be collected at a discount of 30% for international standard container vehicles; the expressway toll will be collected at a discount of 60% for container vehicles which are accessed to and from Luzhou and Yibin ports.);

3. Implementation of discount for toll payment with ETC card for trucks in the expressway network of the province for a period of 5 years (For the trucks which use ETC card of Sichuan Province for toll payment, the expressway toll will be collected at a discount of 5%).

(3) Regional development factors

With the gradually well-established infrastructure in the Tianfu New District and rapid progress of construction of Xinglong Lake, the mobile population in such area is increasing, which promoted the growth in traffic flow of Chengren Expressway. Meanwhile, the construction of Chengdu Tianfu International Airport, the operation of Jianyang Xincheng Industrial Development Zone and the large-scale e-commerce enterprises surrounding Jianyang, the accelerated industrial construction in Suining and Guang'an, the construction of new plants and commencement of construction of a number of premises in Pengxi County and Guang'an Industrial Park, injected vitality to the freight transportation market, which in turn stimulated the increase in the truck flow of Chengle, Suixi, Chengren and Chengyu Expressways. On 30 March 2018, the ceremony was held for simultaneous commencement of construction of 40 key projects in Meishan and 62 key projects in Leshan, which motivated the logistic market and resulted in a significant year-on-year increase in the truck flow of Chengle Expressway.

(4) Factors in road network changes and road construction

Peripheral competitive or synergistic road network changes and road refurbishment brought 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 2 January 2018, Sichuan Section of Chengdu-Anyue-Chongqing Expressway started to collect toll on trial basis, forcing certain vehicles to return to Chengyu Expressway, which resulted in an increase in the traffic flow of Chengyu Expressway. From 31 October 2017 to 31 January 2018, the Shiqiao Toll Station along Chengyu Expressway was closed for construction; from 31 October 2018 to 30 April 2019, the access to the downtown through Chengdu Toll Station was closed for construction; and from 15 October 2018 to 1 February 2019, the ramp at Jianyang Toll Station was closed for construction, which resulted in diversion of traffic flow from Chengyu Expressway to a certain extent.

Chengle Expressway: On 1 January 2018, Leshan Beltway and Jianyang-Pujiang Expressway were open to traffic for free, which drove the short-distance traffic flow of Chengle Expressway since they are connected with Chengle Expressway. From February 2018 to 30 June 2018, as the line from the south of Jiajiang to Jiepai Yushizui along Leshan-Ya'an Expressway was closed for construction, the trucks heading for Chengdu or Emei through Jiajiang were forced to take a detour through the Suji Toll Station along Leya Expressway and the Leshan Toll Station along Chengle Expressway. As they travel longer distance through Chengle Expressway, higher toll was collected accordingly. Due to the construction of Meishan interchange, Meishan toll stations B and D were closed from 1 June to 31 August 2018 and the vehicles to Chengdu or Leshan were diverted to other expressways or local roads; from 10 September 2018, speed limit to traffic was implemented for Qinglong – Meishan trial section as a result of the reconstruction and expansion of Chengle Expressway. The above factors resulted in a certain decrease in the traffic of Chengle Expressway.

Chengya Expressway and Chengren Expressway: On 31 December 2017, the opening of Ya'an-Kangding Expressway drove up the traffic flow of Chengya Expressway; on 1 January 2018, Jianyang-Pujiang Expressway was open to traffic for free, which drove traffic flow of Chengya and Chengren Expressways since they are connected with Chengya and Chengren Expressways; on 18 March 2018, the extension of Line 1 of Chengdu Metro to Xinglong Lake diverted the traffic flow of Chengren Expressway to a certain degree; since 10 April 2018, the commencement of pavement diseases treatment for Chengdu Beltway has diverted the traffic flow of Chengya and Chengren Expressways to a certain extent.

Chengbei Exit Expressway: From October 2016 to July 2018, the extension and renovation of Chengdu-Pengzhou Expressway diverted some vehicles to Chengbei Exit Expressway.

Suixi Expressway: on 22 November 2018, the official opening of Bazhong-Shaanxi Expressway drove up the traffic flow of Suixi Expressway.

(iii) Operation Conditions of the Group's Diversified Businesses

"City Operation" segment: Relying on the expertise and experience accumulated over the years in construction projects, and leveraging on capital advantage, location advantage and brand advantage, the Group has made great efforts to expand urban infrastructure and real estate development along the expressways, so as to promote the extension of related industries and increase the overall profit of the Group. In the Year, the operating income of the Group's city operation segment amounted to approximately RMB514,753,000 (2017: RMB1,087,247,000), representing a decrease of approximately 52.66% from the last year. Among them, the BT project (including PPP project) achieved operating income of approximately RMB409,010,000 (2017: RMB743,195,000), representing a decrease of approximately 44.97% from the last year; real estate projects achieved operating income of approximately RMB105,743,000 (2017: RMB344,052,000), representing a decrease of approximately 69.27% from the last year.

"Energy Investment" segment: The Company cooperates with energy giants including PetroChina and Sinopec to proactively develop the energy investment business, mainly related to the gas station business along the Group's expressways and sales of petroleum products. During the year, the Group operated 32 gas stations, and recorded a net revenue of approximately RMB1,907,383,000 (2017: RMB2,616,916,000) from operation of gas stations along the expressways and sales of petrochemical and other oil products, representing a year-on-year decrease of approximately 27.11%.

"Financial Investment" segment: The Company has an efficient and professional capital operation team and has formed a relatively complete financial ecosystem relying on the advantages of domestic and overseas financing platforms. It has built admirable cooperation with over 50 banks, financial leasing companies and other financial institutions, and its business scope covers industrial funds, merger and acquisition funds, financing leasing, trusts, banking and other segments. During the Reporting Period, the operating income of the Group's financial investment segment amounted to approximately RMB87,505,000 (2017: RMB66,485,000), representing an increase of approximately 31.62% over the same period last year.

"Transport, Tourism, Culture and Education" segment: the "transport, tourism, culture and education" segment is a new business established by the Company in accordance with the revised "Thirteenth Five-Year" strategic plan. In the future, leveraging on the road network resources, the Company will develop a presence in the transport, tourism, culture and education businesses: following the development idea of "vocational education + preschool education", the Company will set its presence in culture and education industry to proactively promote preschool education and early education, Internet-based education, vocational education, building of university for the elderly and other projects; centering on traffic + tourism, the Company will build new business forms of tourism which will synergize with road economy to develop self-driving tour, rural tourism, and tourism real estate along expressways; and for the purpose of industrial synergy, the Company will develop the healthcare business and build health intuitions relying on tourist attractions and featured towns along expressways. The Company will give full play to the synergic relationship among education, tourism and healthcare, and proactively seek for and reserve a number of high-quality projects through project platform companies, acquisitions, capital increase, strategic alliances, etc., so as to drive the development of the Company through joint development of multiple businesses, achieve synergic development of businesses and foster new profit growth drivers. Up to now, the "transport, tourism, culture and education" segment has made breakthrough progress, and the investment intention agreement has been entered into for Dachuan River healthcare and wellness tourism project in Lushan County.

(iv) Conditions of the Group's major financing and investment projects

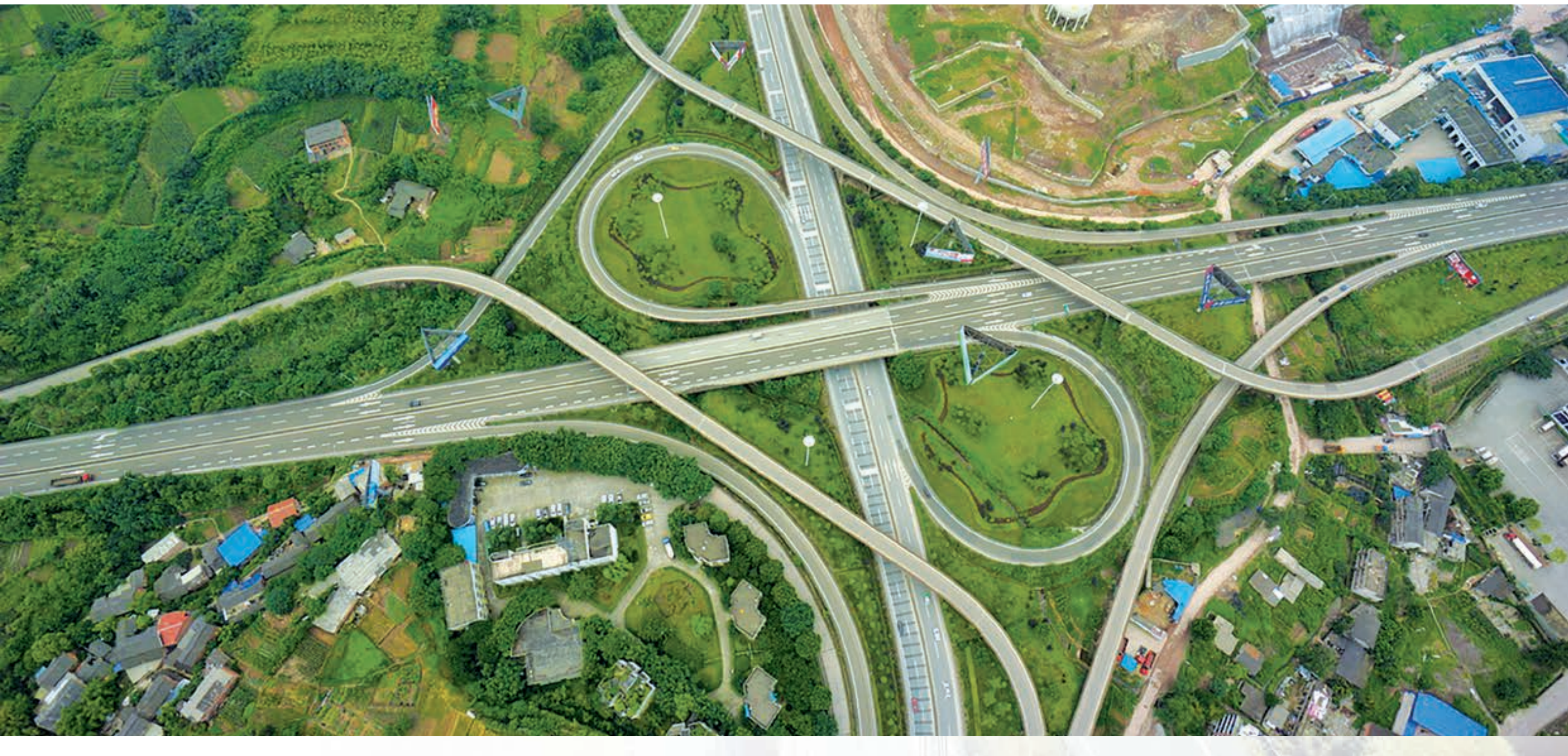
(1) Non-public Issuance of A Shares was Terminated upon Expiry

On 14 November 2017, the Company convened the fourth extraordinary general meeting of 2017, the first A Share class meeting of 2017 and the first H Share class meeting of 2017, at which the Resolution on the Proposal in respect of the Non-public Issuance of Shares by the Company and other related resolutions were considered and approved. The resolution shall be valid for 12 months commencing from the date of approval of the issuance proposal at the general meeting of the Company. As of 14 November 2018, in relation to the Non-public Issuance, the Company obtained approval from the State-owned Assets Supervision and Administration Commission of the Sichuan Province and the whitewash waiver granted by the Executive of the Securities and Futures Commission of Hong Kong, but has yet to obtain the approval from CSRC. The domestic capital market experienced notable changes during the course of application for the non-public issuance and the resolutions regarding the non-public issuance of A shares shall be valid for 12 months commencing from the date of approval of the issuance proposal at the abovementioned general meeting. As such, the proposal for the non-public issuance of shares would lapse automatically upon expiry according to the relevant requirements of CSRC. To safeguard the interests of the investors, the Company decided to terminate the Non-public Issuance of A shares and apply to CSRC for the withdrawal of the relevant application documents after rounds of communications with the intermediaries and other parties. On 5 December 2018, the Company received the "Notice of CSRC on Termination of the Review for the Application for Administrative Permission" ([2018] No. 454)《(中國證監會行政許可申請終止審查通知書》([2018]454 號)), pursuant to which the CSRC resolved to terminate the review for the application for administrative permission in relation to the non-public issuance of shares by the Company.

The termination of the non-public issuance upon expiry by the Company was resolved after prudent consideration of changes in the relevant market environment and other factors as well as the latest operations of the Company, and was considered and approved at the 23rd meeting of the sixth session of the Board of the Company. It will not have any material impact on the production and operation of the Company, nor will it prejudice the interests of the Company and its shareholders, especially the interests of non-connected shareholders and minority shareholders of the Company.

(2) Chengle Expressway Expansion Construction Project

On 27 October 2016, the Company held the third meeting of the sixth session of the Board, at which the proposal of implementing Qinglongchang – Meishan trial section project for expansion construction of Chengle Expressway (the "Trial Section") was considered and approved.



The Trial Section project was advanced smoothly, offering rich experience for the reconstruction and expansion of the entire Chengle Expressway. On 30 August 2017, the Company held the eleventh meeting of the sixth session of the Board, at which the proposal in respect of investment in the expansion construction of Chengle Expressway and relevant matters was considered and approved. The above proposal was considered and approved at the third extraordinary general meeting for 2017 held on 30 October 2017. According to the reply on approval of the project from the Sichuan Provincial Development and Reform Commission, the expansion construction of the project was proposed to be implemented in stages: I. new construction of a two-way eight-lane expressway for Chengdu-Qinglongchang section (which will be shared with the second expressway of Shuangliu Airport which is under planning) with a mileage of approximately 42km; II. extension and renovation for Qinglongchang-Guliba, Leshan section through widening the original expressway to a two-way eight-lane expressway with a mileage of 85.55km (including the Trial Section with a mileage of approximately 28km); and III. new construction of a two-way six- lane expressway passing through downtown Leshan with a mileage of 11.36km. The total mileage of the aforesaid proposal was 138.41km. The project's estimated total investment was about RMB23.133 billion (including the estimated investment amount of the Trial Section of approximately RMB1,985.6 million). On 30 October 2017, the Company held the third extraordinary general meeting for 2017, at which the investment in the project was considered and approved. Chengle Company, a wholly-owned subsidiary of the Company, entered into the Investment Agreement on Expansion Construction Project for G0512 Chengdu to Leshan Expressway《G0512 線成都至樂山高速公路擴容項目投資協議》and the Concession Agreement on Expansion Construction Project for G0512 Chengdu to Leshan Expressway《G0512 線成都至樂山高速公路擴容項目特許權協議》with the People's Government of Chengdu, People's Government of Meishan and People's Government of Leshan. After the completion of the project, it will help ease the traffic pressure on Chengle Expressway, and improve the overall traffic capacity and service level of the Chengle Expressway. The preliminary design of the Second Beltway to Guliba section for Chengle Expansion Construction Project was approved by the Ministry of Transport of the PRC on 24 May 2018. Currently, the tender for the design and construction for the section from Qinglongchang to the ending point has been completed. From the commencement date of construction to 31 December 2018, an accumulated investment of approximately RMB1,482 million had been invested in the Chengle Expressway Expansion Construction Project, accounting for approximately 6.4% of the estimated total investment of the project.

(3) Establishment of Tianyi United Company

In order to proactively grasp the opportunities brought by the national "One Belt, One Road" strategy, conform to the supply-side structure reforms of transport industry in the PRC, deeply implement the "Thirteenth Five-Year" strategic plan of the Company, improve its core competitiveness, and achieve the industry synergies with complementary advantages, the Company held the general manager's office meeting on 16 October 2017, at which the proposal for the joint establishment of Tianyi United Company with Chengdu Communications Investment Group Co., Ltd ("**CCI**") and China Railway Chengdu Group Co., Ltd ("**Chengdu Railway Bureau**") was considered and approved. On 24 October 2017, the Company entered into the Investor Agreement with CCI and Chengdu Railway Bureau, pursuant to which the registered capital of Tianyi United Company was RMB1 billion. The Company, CCI and Chengdu

Railway Bureau contributed RMB510 million, RMB440.5 million and RMB49.5 million, respectively, each holding 51%, 44.05% and 4.95% of the equity interests in Tianyi United Company, respectively. On 19 January 2018, Tianyi United Company completed the industrial and commercial registration with the Administration for Industry and Commerce of Tianfu New District (Chengdu Area), Sichuan Province.

(4) Dachuan River Healthcare and Wellness Tourism Project in Lushan County

In order to fully capitalize on the advantages of resources along the expressways, the Group proactively developed tourism projects along the expressways. On 17 October 2018, the Group participated in the public tender for Dachuan River Health and Wellness Tourism Project in Lushan County and won the bid in mid-November of 2018. On 25 December 2018, the Group ("**Party B**") and the People's Government of Lushan County ("**Party A**") entered into the Investment Intention Agreement on Dachuan River Healthcare and Wellness Tourism Project in Lushan County. Pursuant to the agreement, the project adopts the "investment- construction-operation" mode, with a total investment of approximately RMB6 billion and a tentative construction period of 6 years. The two parties will enter into a formal investment agreement within six months commencing from the date of the signing of the investment intention agreement. Currently, Shunan Company, a wholly owned subsidiary of the Group, is responsible for the preliminary work of this project temporarily.

The aforesaid agreement is a framework agreement on the cooperation intention of both parties. Save as a bid bond of RMB10 million paid to the People's Government of Lushan County, it does not involve any exact amount of the final investment. Concrete investment plan and implementation particulars have yet to be finalized and specified, and the entering into the subsequent formal investment agreement is still uncertain. If the formal investment agreement is executed, the Company will go through relevant consideration procedures according to the follow-up progress and perform its information disclosure obligation in a timely manner.

(5) Chengbei New City Real Estate Project in Renshou County

On 30 January 2013, the general manager's office meeting of the Company considered and approved the proposal in relation to bidding for 3 state- owned construction land use rights at Chengbei New City, Renshou County, Meishan City, Sichuan Province to invest and develop real estate project. On 22 February 2013, the Company won the bid for the land use rights of such land, involving a land area of 235,558.10 square meters, and the transaction price was RMB920,160,000. In May of the same year, Renshou Landmark Company was established, fully responsible for the development and construction of Renshou County Chengbei New City Real Estate Project. On 15 May 2014, Renshou Landmark Company once again won 5 state-owned construction land use rights, involving a land area of 194,810.52 square meters, and the transaction price was RMB787,100,000. At present, the sale and delivery of the real estate project, namely, Beichengshidai (Phase I) has substantially completed; for the Beichengshidai (Phase II), the Land A project construction is steadily pressed ahead and solid sales is achieved. As at 31 December 2018, the sales revenue achieved from the projects for the Reporting Period was approximately RMB105,743,000, and the accumulative sales revenue of the projects amounted to approximately RMB477,628,000.

Name of project	Location	Commencement time	Construction progress	Completion time	Usage	Site area and floor area	Percentage as owned by the Group
Beichengshidai (Phase I)	Central Business Avenue, Wenlin Town, Renshou County	31 October 2014	Completed	December 2017	Residential, commercial and parking lots	Site area: 34,167.31 square meters Construction area: 195,883.43 square meters	91%
Land A of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	18 May 2018	47.88%	Expected to be completed in July 2020	Residential, commercial and parking lots	Site area: 64,882.22 square meters; Construction area: 289,276.7 square meters	91%

(6) Establishment of Chengyu Education Company

In accordance with the "Thirteenth Five Year" development plan of the Group, the Group will speed up the layout of the cultural and educational industries and promote the development of the "transport, tourism, culture and education" segment of the Group, to seek new development direction and profit growth drivers. On 12 November 2018, the Company held the 2018 fifth general manager's office meeting, at which it was approved to establish Chengyu Education Company.

On 20 February 2019, Chengyu Education Company was incorporated at the Administrative Service Center of Tianfu New District, Chengdu with a registered capital of RMB480 million. It was wholly funded by the Company, and it is a limited liability company (sole proprietorship invested or held by a non-natural person) with the business scope of: investment in education projects; investment consulting (not allowed to engage in illegal fundraising, absorbing public funds and other financial activities); enterprise management services; information technology development, technical consulting, technical services, technology promotion; education consulting; organization and planning of cultural and educational exchange events; sales of culture and office supplies. (The operations of items subject to approval according to law shall be subject to approval by relevant authorities). Chengyu Education Company will adopt the model in combination of foreign cooperation and independent investment, and conduct business through various methods including establishment of project platform companies, acquisitions, capital increase, and strategic alliances.

(II) FINANCIAL REVIEW AND ANALYSIS

Summary of the Group's Operating Results

	2018	2017
	RMB ('000)	*RMB ('000)*
Revenue, net	**6,820,997**	8,864,370
Including: Toll income, net	**3,567,976**	3,212,683
Construction contract revenue, net	**1,064,118**	2,536,655
Profit before tax	**1,205,912**	1,310,527
Profit attributable to owners of the Company	**849,638**	894,376
Earnings per share attributable to owners of the Company *(RMB)*	**0.278**	0.292

Summary of the Group's Financial Position

	31 December 2018	31 December 2017
	RMB ('000)	*RMB ('000)*
Total assets	**36,035,058**	34,265,735
Total liabilities	**21,150,659**	19,981,022
Non-controlling interests	**392,793**	390,639
Equity attributable to owners of the Company	**14,491,606**	13,894,074
Equity per share attributable to owners of the Company (RMB)	**4.739**	4.543

ANALYSIS OF OPERATING RESULTS

Revenue

The Group's net revenue for the year amounted to RMB6,820,997,000 (2017: RMB8,864,370,000), representing a decrease of 23.05% as compared with the same period last year, of which:

(1) The net toll income was RMB3,567,976,000 (2017: RMB3,212,683,000), representing an increase of 11.06% as compared with the same period last year, which was mainly due to the natural growth of traffic volume as driven by the economic growth of regions along the expressways, particularly the development of an active freight transportation market, as affected by the construction of Chengdu Tianfu International Airport and the proximity to Jianyang Xincheng Industrial Development Zone, Shigao Development Zone of Tianfu New District and logistics bases along the expressways, and the synergy effect of other road networks, which promoted the growth in toll income from each section to a certain degree. Please refer to "operating conditions of the 'toll roads and bridges' segment of the Group" in this annual report for details of the main factors affecting the toll income of the Group during the Reporting Period;

(2) Construction contract revenue (before deduction of turnover taxes) in respect of service concession arrangements was RMB688,171,000 (2017: RMB728,358,000), representing a year-on-year decrease of 5.52%, which was mainly due to the recognition of construction contract revenue (before deduction of turnover taxes) of approximately RMB688,171,000 (2017: RMB728,358,000) in respect of the update of expressways under the input method during the year;

(3) Construction contract revenue in respect of construction works performed for third parties amounted to RMB376,323,000 (2017: RMB1,814,549,000), representing a year-on-year decrease of 79.26%, which was the construction contract revenue from the Ziyang Jiaozi Avenue project, Renshou Gaotan BT project and other projects recognized under the input method. The decrease in the construction contract revenue in respect of construction works performed for third parties during the current period was mainly due to the fact that the projects construction revenue of Trading Construction Company was no longer included in the Company's consolidated financial statements for the year as a result of the changes in the consolidation scope after the transfer of 46% equity interests in Trading Construction Company in October 2017;

(4) Net revenue from operation of gas stations along expressways and sales of petrochemicals and other oil products amounted to RMB1,907,383,000 (2017: RMB2,616,916,000), representing a year-on-year decrease of 27.11%, mainly due to a decrease in sales of chemical products during the current period;

(5) Net revenue from property development and operation amounted to RMB105,743,000 (2017: RMB344,052,000), representing a year-on-year decrease of 69.27%, which was mainly due to the fact that the number of flats delivered decreased as the majority of flats of Project Beichengshidai (phase I) had been delivered in 2017 and the flats delivered during the year were unsold ones.

Other Income and Gains

The Group's other income and gains for the year amounted to RMB239,154,000 (2017: RMB262,845,000), representing a year-on-year decrease of 9.01%, which was mainly due to the fact that an investment transfer gain of approximately RMB138,470,000 was resulted from the transfer of equity interests in Sichuan Trading Construction Engineering Co., Ltd., a controlled subsidiary of the Company, which was originally consolidated into the financial statements of the Company while there was no similar business at the end of the Reporting Period.

Operating Expenses

The Group's operating expenses for the year amounted to RMB5,131,344,000 (2017: RMB7,062,321,000), representing a year-on-year decrease of 27.34%, of which:

(1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB688,171,000 (2017: RMB715,295,000), representing a year-on-year decrease of 3.79%. This mainly included construction contract costs of RMB688,171,000 (2017: RMB715, 295, 000) recognized for the technical renovation projects of expressways and other projects;

(2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB333,794,000 (2017: RMB1,574,727,000). This mainly included the construction contract costs of the Ziyang Jiaozi Avenue project, Renshou Gaotan BT project and other projects;

(3) Depreciation and amortization expenses increased by 3.71% from RM829,668,000 for the same period last year to RMB860,425,000 for the Reporting Period, mainly attributable to amortization for service concession arrangements;

(4) The cost of sales of refined oil and chemical products was RMB1,728,815,000 (2017: RMB2,440,653,000), representing a year-on-year decrease of 29.17%, which was mainly due to the decrease in the sales costs as a result of the decrease in sales of chemical products during the Reporting Period;

(5) Staff costs increased by 11.83% from RMB626,009,000 for the same period last year to RMB700,066,000 for the Reporting Period, mainly due to the cumulative effects of the employment of certain new staff in response to our business development needs, the adjustment to the percentage of provision for annuity contributions and the increase in the percentage of provisions for social insurance fund and housing fund contributions as a result of rising average wage in urban cities;

(6) Repair and maintenance costs increased by 20.4% from RMB311,163,000 for the same period last year to RMB374,647,000, being the daily maintenance costs of the ancillary facilities of all expressways of the Group.

Finance Costs

During the year, the Group's finance costs for interest-bearing debts throughout the year amounted to RMB826,530,000 (including: expensed interest expenses of RMB777,174,000), representing a slight decrease of 0.25% as compared with RMB828,636,000 (including: expensed interest expenses of RMB801,146,000) for the same period last year, mainly attributable to minor change in size of interest-bearing debts and capital cost.

Taxation

The income tax expense of the Group for the year amounted to RMB304,086,000, representing a decrease of approximately 7.68% as compared with RMB329,373,000 for the reporting period of 2017, mainly due to the change in profit.

Profit

The Group's profit for the year amounted to RMB901,826,000, representing a decrease of approximately 8.09% as compared with RMB981,154,000 for the same period last year, of which the profit attributable to owners of the Company was RMB849,638,000, representing a decrease of 5% as compared to last year. This was mainly due to:

(1) The economic growth in regions along the expressways has led to an increase in demand for regional transportation, especially for freight transportation. Most of the toll road projects of the Group recorded some increase in traffic flow as compared with the same period last year. During the Reporting Period, the net toll income of the Group's expressway business increased by RMB355,293,000 as compared with the same period of last year. Profit of the toll operation segment was approximately RMB1,093,107,000, representing a year-on-year increase of approximately RMB209,126,000;

(2) After the transfer of 46% equity interests in Trading Construction Company in October 2017, the revenue of Trading Construction Company from the projects construction business was no longer included in the consolidated financial statements of the Company during the current period as a result of the changes in the consolidation scope. As a result, revenue from construction contracts of the Group decreased by approximately RMB1,472,537,000 as compared with last year and profit of the construction contracts segment amounted to approximately RMB117,367,000, representing a decrease of approximately RMB83,785,000 as compared with the same period last year;

(3) During the Reporting Period, the Group paid close attention to the conditions of the refined oil market, the pace of price hikes and declines, key festivals and other factors affecting the sales of oil products, intensified field guidance and promotion, closely followed customer demands and conducted precision marketing, resulting in a significant improvement in the operating capability of the Group and offsetting the adverse impact of reduced sales of chemical products to a certain extent. During the Reporting Period, the profit of the operating segment amounted to approximately RMB118,325,000 due to higher sales expenses and a slight decrease of 5.60% in the profit of the oil stations and the chemical products sales operating segments as compared with last year;

(4) During the Reporting Period, profit of the property development segment amounted to approximately RMB -74,761,000, representing a decrease of approximately RMB99,165,000 as compared with the same period last year, which was mainly due to a year-on-year decrease in the delivery number of flats of Project Beichengshidai (phase I) and the impairment losses of RMB70,154,000 provided for the year as a result of fluctuations in the market prices of underground parking spaces;

(5) Profit of other segments amounted to approximately RMB78,969,000, representing an increase of approximately RMB5,415,000 as compared with last year.

ANALYSIS OF FINANCIAL POSITION

Non-current Assets

As at 31 December 2018 , the Group's non-current assets amounted to RMB28,257,374,000 representing an increase of 3.91% as compared with the end of 2017, mainly attributable to:

(1) A decrease of RMB47,425,000 in service concession arrangements which included an increase of approximately RMB709,848,000 from Chengle Expressway Capacity Expansion Trial Project and the provision for amortization of service concession arrangements of approximately RMB757,273,000;

(2) Recognition of contract assets of RMB329,270,000 during the Report Period, mainly due to the fact that the Group adopted the new standards on revenue of HKFRS 15 from 1 January 2018 and the item originally listed under "trade and other receivables" was reclassified as "contract assets" during the current period;

(3) An increase of RMB549,634,000 in investment in associates and joint ventures, mainly due to the investment increase in Tianyi United Company and the increase of share of profits in associates and joint venture;

(4) Recognition of financial assets at fair value through other comprehensive income of RMB324,137,000 during the Reporting Period, mainly due to the reclassification of "available-for-sale investments" with an amount of RMB183,593,000 at the beginning of the Period into "financial assets at fair value through other comprehensive income" as a result of the initial adoption of the new standards on financial instruments during the year. In addition, a net increase of RMB140,544,000 in the "financial assets at fair value through other comprehensive income" was recorded mainly due to the capital injection into Sichuan Trading Construction Engineering Co., Ltd. of RMB75,000,000, the fluctuation in the price of shares of China Everbright Bank held by the Group and re-measurement of the investment in the equity instrument not for trading purpose held by the Group at fair value instead of amortized cost and the adjustment to the carrying value;

(5) A decrease of RMB183,593,000 in available-for-sale financial assets, mainly due to the presentation of the equity instrument not for trading purpose held by the Group under the "financial assets at fair value through other comprehensive income" on 1 January 2018 according to the new standards on financial instruments;

(6) An increase of RMB97,449,000 in loans to customers;

(7) A decrease of RMB7,442,000 in long term compensation receivables;

(8) An increase of RMB10,526,000 in property, plant and equipment;

(9) An increase of approximately RMB13,742,000 in pledged time deposits.

Current Assets and Current Liabilities

As at 31 December 2018 , the current assets of the Group amounted to RMB7,777,684,000 representing an increase of 9.99% as compared with the end of 2017, mainly attributable to:

(1) An increase of RMB938,167,000 in the closing balance of cash and cash equivalents as compared with the end of 2017, mainly due to a net increase in cash flows from operating activities during the year and a year-on-year increase in net cash inflows from interest-bearing debts;

(2) The recognition of contract assets of RMB123,099,000 during the Reporting Period, mainly due to the fact that the Group adopted the new standards on revenue of HKFRS 15 from 1 January 2018 and the item originally listed under "trade and other receivables" was reclassified as "contract assets" during the current period;

(3) An increase of approximately RMB210,528,000 in loan to customers due within one year as compared with the end of 2017, mainly due to an increase in financial lease receivables (recovery by instalment);

(4) A decrease of RMB467,639,000 in trade and other receivables as compared with the end of 2017, which was mainly due to a decrease in trade receivables, other receivables and prepayments of RMB326,033,000, RMB112,476,000 and RMB31,462,000, respectively; increase in deposits of RMB2,332,000;

(5) An increase of approximately RMB151,858,000 in property under development as compared with the end of 2017, mainly due to an increase in development costs;

(6) A decrease of RMB158,997,000 in property held for sale as compared with the end of 2017, mainly due to a decrease of approximately RMB88,843,000 incurred in connection with carrying forward of cost of sales during the current period and provision for impairment losses of RMB70,154,000 during the year as a result of fluctuations in the market prices of underground parking spaces of Beichengshidai (Phase I);

(7) A decrease of approximately RMB11,124,000 in inventories as compared with the end of 2017;

(8) A decrease of RMB79,378,000 in pledged time deposits as compared with the end of 2017, mainly due to the receipt of performance guarantees during the Period.

As at 31 December 2018, the Group's current liabilities amounted to RMB5,277,181,000, representing a decrease of 5.79% as compared with the end of 2017, mainly due to an increase of RMB66,720,000 in trade and other payables; a decrease of RMB35,969,000 in due to customers for contract works; an increase of RMB29,398,000 in contract liabilities; an increase of RMB10,485,000 in dividend payables; a decrease of approximately RMB9,121,000 in tax payable; and a decrease of approximately RMB385,530,000 in bank and other interest-bearing loans, which was mainly due to the repayment of approximately RMB2,560,050,000 of bank and medium- term notes borrowings during the current period, approximately RMB1,150,000,000 of new current loans, and an increase of approximately RMB1,024,520,000 in bank loans due within one year, medium-term notes and shareholder's loans due to reclassification of other items.

Non-current Liabilities

As at 31 December 2018, the non-current liabilities of the Group amounted to RMB15,873,478,000, representing an increase of 10.39% as compared with the end of 2017, which was mainly due to an increase of approximately RMB2,250,442,000 in bank and other interest-bearing loans during the current period, the repayment of RMB128,846,000 of loans during the current period and the reclassification of approximately RMB1,024,520,000 as current liabilities, resulting in the increase of approximately RMB1,097,076,000 in bank and other interest-bearing loans during the Reporting Period.

Equity

As at 31 December 2018, the Group's equity amounted to RMB14,884,399,000, representing an increase of 4.20% as compared with the end of 2017, mainly attributable to: (1) profit of RMB901,826,000 for the current period, which increased the equity; (2) a decrease in equity of RMB12,635,000 due to the adjustment to the fair value of financial assets as a result of presenting changes in other comprehensive income; (3) the final dividend of 2017 declared in the current period amounting to RMB305,806,000, which decreased the equity; and (4) payment of dividends of RMB52,254,000 to non-controlling shareholders, which decreased the equity; (5) an increase in equity due to the cumulated affected amount for the initial application of HKFRS 9 of approximately RMB68,555,000 being recognized as the opening balances adjustments of the equity as at 1 January 2018.

Capital Structure

As at 31 December 2018, the Group had total assets of RMB36,035,058,000 and total liabilities of RMB21,150,659,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 58.69% (31 December 2017: 58.31%).

Cash Flow

As at 31 December 2018, the cash and bank balances of the Group amounted to RMB3,657,420,000, representing an increase of approximately RMB938,167,000 over the end of 2017, including approximately HKD155,000 (equivalent to approximately RMB132,000) deposits in Hong Kong dollars, and RMB3,657,288,000 cash and deposits in RMB.

During the year, net cash inflow from operating activities of the Group amounted to RMB1,939,479,000 (2017: net cash inflow of RMB287,240,000), representing an increase of RMB1,652,239,000 in net cash inflows compared with the same period last year, which was mainly due to an increase of RMB5,347,000 in cash inflows after excluding the effect of adjusted profit before tax before changes in working capital as compared with last year; a decrease of RMB34,647,000 in cash outflows as a result of new service concession arrangements as compared with the same period last year; an increase of RMB25,895,000 in cash outflows as a result of increased number of properties under development as compared with the same period last year; a decrease of RMB208,347,000 in cash inflows as a result of decreased number of properties held for sale as compared with the same period last year; an increase of RMB210,645,000 in cash outflows from the increase of loans to customers as compared with last year; an increase of RMB1,107,850,000 in cash outflows as a result of increased trade and other receivables and contract assets and contract cost as compared with last year; a decrease of RMB304,415,000 in cash outflows as a result of increased amounts due from customers for contract works as compared with last year; an increase of RMB506,607,000 in cash inflows as a result of decreased trade and other payables and contract liabilities as compared with the same period last year.

Net cash outflow used in investing activities of the Group amounted to RMB536,992,000 (2017: net outflow of RMB97,829,000), with an increase in net cash outflow of RMB439,163,000 as compared with the same period last year. It was mainly due to the contribution of RMB510,000,000 to establish Tianyi United Investment & Development Co., Ltd (天乙多聯投資發展有限公司) and the capital increase of RMB75,000,000 in Sichuan Trading Construction Engineering Co., Ltd.; the decrease in pledged time deposits resulted in an increase of RMB79,265,000 in cash inflows compared with the same period last year.

Net cash outflow used in financing activities was RMB464,320,000 (2017: net cash outflow of RMB1,363,236,000), representing a decrease in net cash outflow of RMB898,916,000 as compared with the same period last year, which was mainly due to the increase of RMB511,514,000 of cash outflows from repayment of bank loans and medium term notes as compared with the same period last year, a decrease in cash outflows from dividend paid to the owners of the Company of RMB41,066,000 as compared with the same period last year, an increase of RMB5,395,000 in cash outflows from dividend paid to non-controlling shareholders as compared with the same period last year, an increase of RMB5,417,000 in cash outflows from interest paid as compared with the same period last year, the increase in cash inflows from new bank loans of RMB1,582,542,000 as compared with the same period last year. There was no capital injection from non-controlling shareholders (2017: RMB202,366,000).

Capital Commitments

Details of the Group's capital commitments as at 31 December 2018 are set out in note 37 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 RMB 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 2018, the Group's bank and other interest-bearing loans amounted to a total of RMB17,557,193,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB14,918,693,000, with annual interest rates ranging from 3.92% to 6.30%; the balance of other loans was RMB138,500,000, with annual interest rates of 4.75%; the balance of outstanding medium term notes amounted to RMB1,500,000,000, with annual interest rates ranging from 3.56% to 6.30%; the balance of corporate bonds amounted to RMB1,000,000,000, with annual interest rates of 3.56%. The relevant balances are set out as follows:

	Bank and Other Interest-bearing Loans			
	Total amount	**Within 1 year**	**From 1 year to 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from domestic banks	14,918,693	1,736,020	5,191,018	7,991,655
Other loans	138,500	138,500		
Medium-term notes	1,500,000	300,000	1,200,000	
Corporate bonds	1,000,000		1,000,000	
Total (as at 31 December 2018)	17,557,193	2,174,520	7,391,018	7,991,655
Total (as at 31 December 2017)	16,845,647	2,560,050	5,505,101	8,780,496

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 facilities of RMB13,508 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. As at 31 December 2018, the balance of syndicated loan for the project amounted to RMB2,948 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 totaling RMB8,330 million. Such loan was specially used in Suiguang-Suixi Expressways BOT Project. As at 31 December 2018, the Company has drawn RMB8,330 million of such loan in aggregate.

Pledge of Assets

As at 31 December 2018, the Group's time deposits of RMB16,258,000 (31 December 2017: RMB13,499,000) were pledged for the performance guarantee of road construction project; the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,816,504,000 (31 December 2017: RMB6,976,716,000) was pledged to secure the syndicated loan amounting to RMB2,948,398,000 (31 December 2017: RMB3,221,747,000); the concession right to collect toll pertaining to Suiguang- Suixi Expressways with net carrying value of RMB11,967,716,000 (31 December 2017: RMB12,223,497,000) was pledged to secure the syndicated loan amounting to RMB8,110,000,000 (31 December 2017: RMB8,129,000,000); loans to customers with net carrying value of RMB253,123,000 (31 December 2017: nil) were used for the pledge of bank loans amounting to RMB220,295,000 (31 December 2017: nil); and the land use right with a total carrying value of RMB360,500,000 (31 December 2017: nil) was pledged to secure bank loans amounting to RMB100,000,000 (31 December 2017: nil).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2018.

Contingent liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

III. BUSINESS DEVELOPMENT PLAN

Based on the analysis of the operating situation, policy environment and development status of the Company in 2019, we have formulated the following work plan around the overall development plan of the Group's Thirteenth Five-Year Plan and the specific business objectives of 2019:

(1) Continue to consolidate the fundamental position of the expressway businesses. The first step is to secure the achievements in respect of normalized and standard toll collection construction relentlessly by intensifying technological development and application and further improving operation and management procedures; the second move is to continue to reinforce the cost idea of lifelong maintenance which requires strict unit price review, contract management and measured payment to optimise management in the cost control process; thirdly, work concerning post assessment on project construction and preventive maintenance is to be carried out in a proactive manner so as to implement scientific pavement maintenance of expressways and maintain smooth and intact road conditions; the step four aims at holding onto our province-wide top-notch standards in respect of the quality of operating and management services through enhanced efforts in the creating of high-quality and civilised services, establishment of multiple functional super service areas and orderly construction of characteristic toll stations; the fifth is to speed up the intelligent expressway construction, and promote the launch of the scan-pay equipment and the construction of the virtual station after the provincial boundary station of the Chengdu-Chongqing expressway is removed with the view to improving the traffic efficiency consistently.

(2) Carry forward the construction of key projects in a solid manner. The Company will give due weight to "Project No. 1", namely Chengle Expressway Capacity Expansion, in order to have the construction of Trial Section completed and open to traffic at a higher rate and to commence the construction of the entire project; and roll out intelligent transportation pilots and take initiative to advance the practice of the "transportation + tourism" construction and implementation plan. Meanwhile, the Company will continue to keep a close cooperative relationship with the local government, proactively experiment on the mode of integrating investment and construction, and promote the management of projects under investment and in progress; enhance contractual performance management and strengthen control over quality and safety to ensure that the investment target of Jiaozi Avenue PPP Project in Ziyang City is achieved; and continue to reinforce its communications with local government so as to complete the final audit and transfer work in relation to the agent construction project of Chengdu-Renshou Fast Track.

(3) Proactively seek for further development of the relevant diversified businesses. Firstly, the Company will strive for substantial breakthroughs in respect of transport, tourism, culture and education projects, complete the preliminary work for the Dachuanhe healthcare and wellness project in Lushan County and secure the supporting development business for the Lihua super service area in Xinjin County; secondly, it will push ahead the new mode of paralleled operation of multiple businesses and carry out supply chain financial business such as commercial factoring in a well-advised manner; thirdly, it will facilitate the sustainable development of the financial segment by scaling up the capital operation and financial investment businesses and furthering the cooperation with professional investment institutions; and fourthly, it will exert greater efforts on tapping the potentials of the roadside economy to develop prime land resources, tourist resources and municipal PPP projects along the expressways.

(4) Comprehensively enhance finance management and financing. First, the Company will make the best of its capital center to improve the capital operation efficiency constantly. It will enhance capital utilisation efficiency through intensified capital control, overall planning and reasonable capital allocation; second, it will optimise the debt structure and strengthen innovation in respect of financing. While continuing to obtain funding with low cost, it will make proper adjustments to its debt level and liability composition by fetching new debts with reasonably- collocated cycles, vigorously utilising debentures, working capital loans, overseas bonds and other financing facilities and fully tapping the potential of overseas financing; third, it will further improve the overall budget management systems and get the budget prepared more scientifically and implemented more rigidly to enhance its capacity of financing and fundraising and achieve healthy and circulative development on a rolling basis.

(5) Constantly improve the systematic innovation capability and the comprehensive supportability. Firstly, the Company will improve the management system, consummate the management by laws, streamline the management hierarchy and optimise and reinforce the construction of the internal control systems; secondly, it will hold fast to the “talent-oriented development” strategy and optimise the reform of the three major systems in relation to the selection and appointment of the leadership of the Company, the performance assessment for enterprise principals and personnel at the headquarters, and the interim provisions on remuneration management; thirdly, it will continue to enhance its capabilities in promoting and implementing the “Thirteenth Five-Year” plan, in making strategic perspective judgment and in management to ensure the implementation and effectiveness of strategies; moreover, it will strengthen the construction of the risk control system and lay emphasis on risk prevention in such aspects as investment, finance and capital, laws, safety and environmental protection, operation and management, etc., thereby increasing its risk management capability.

Gan Yongyi
Vice Chairman and General Manager

Chengdu, Sichuan Province, the PRC
28 March 2019

I. CORPORATE GOVERNANCE

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Corporate Governance Code (the "Code") of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. As at the date of this report, there was no material difference between the actual situation of the corporate governance of the Company and the requirements under the Code of Corporate Governance for Listed Companies, and the Company has adopted and fully complied with the provisions of the Code. Mr. Tang Yong was unable to attend the extraordinary general meeting of the Company held on 25 January 2018 in accordance with provision A.6.7 under the Corporate Governance Code due to important business engagement. Mr. Tang Yong and Mr. Huang Bin failed to attend the extraordinary general meeting of the Company held on 28 August 2018 in accordance with provision A.6.7 under the Corporate Governance Code due to important business engagements.

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 according to the requirements of relevant competent authorities. With the approval of the general meeting of the Company on 28 August 2018, the Company added relevant contents on Party organization and Party building in the Articles of Association. On 28 March 2019, as approved by the Board of the Company, the Company amended and improved the Detailed Implementation Rules for the Audit Committee under the Board. The details about amendments to such rules and systems are available for Shareholders and investors on the websites of SSE, the Stock Exchange and the Company.

(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, operation, 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 non-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

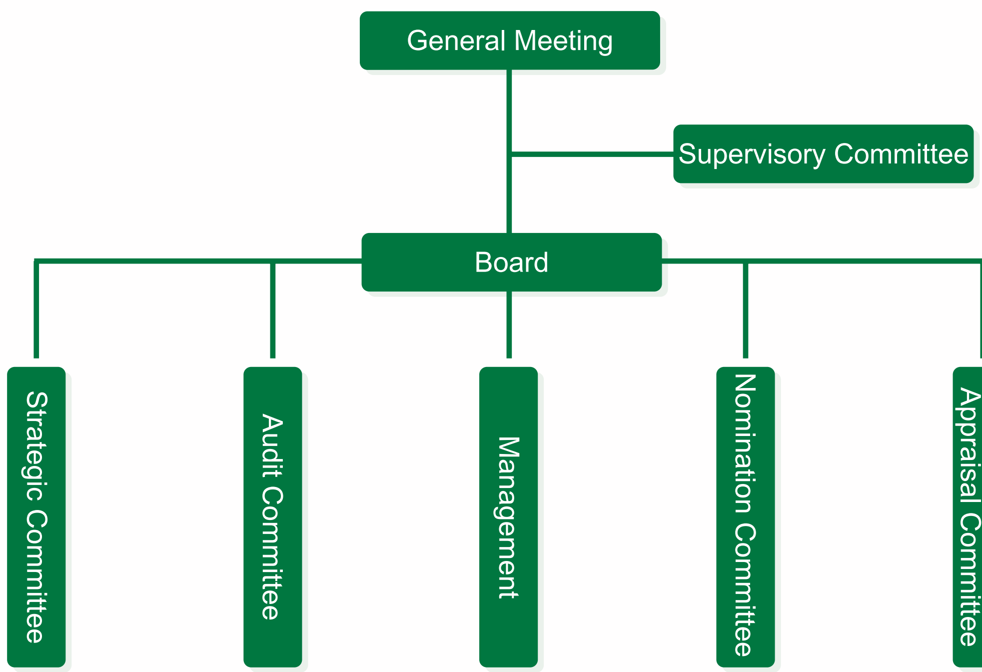
After years of operation and development, the Company has established a relatively comprehensive risk management and internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its risk 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 from 2011 to 2017. In 2018, the Company solidly advanced internal control to ensure that the overall operation of the Company's internal control system was good. On the basis of healthy supervision, self-examination and re-examination and based on the changes in the actual conditions about the organizational structure and development plans, the Company conducted streamlining and adjustment in terms of internal environment, risk assessment, information communication and internal supervision as well as business of the Company and prepared the first draft of Internal Control Manual (2018 Version) to further consolidate the foundation of rules and regulations serving the business development of the Company.

Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2018, 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.

II. LEGAL PERSON GOVERNANCE STRUCTURE OF THE COMPANY

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



(I) Shareholders and General Meetings

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

1. Substantial Shareholders

The substantial Shareholders of the Company include STIG (Sichuan Transportation Investment Group Corporation Limited) and China Merchants Expressway Company. 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. Policy on distribution of dividends

The Company, whilst maintaining sound and sustainable development, attaches great importance to reasonable investment return to its shareholders and adopts a consistent and stable profit distribution policy. The Company mainly determines the policy on distribution of dividends through the Articles of Association.

(1) Intervals of profit distribution

The Company shall distribute its distributable profits on an annual basis provided that its cash flows are sufficient to satisfy its normal capital needs and sustainable development; and an interim profit distribution may be carried out as the Company deems necessary according to its profits and capital requirements.

(2) *Forms of profit distribution*

The Company may distribute its profit in cash, shares, a combination of both cash and shares or otherwise permitted by laws and regulations. Cash dividend is prior to share dividend in profit distribution. Where the conditions of cash dividend are met, profit distribution shall be carried out in form of cash dividend.

(3) *Conditions for distributing profit in shares*

Where the Company's share capital size and equity structure are rational and its share capital increases in line with its results growth, the Company may distribute its dividends in shares.

(4) *Conditions and percentages for distributing profit in cash:*

If the Company's distributable profit for the period is positive and its cash flows are sufficient to meet normal capital requirements, such as project investment, project renovation or expansion, repair and maintenance of road assets, acquisition of assets or purchase of equipment, and support its sustainable development, the Company shall distribute dividends in cash, and the sum of any such cash dividend shall not be less than 30% of the distributable profit earned by the parent company for the period concerned (the lower of the profit attributable to shareholders under the PRC and overseas accounting standards respectively); and the Company shall take into account the following factors comprehensively including industry features, development stage, operation mode, profits level and if there are substantial arrangements for capital expenditures etc., and, in accordance with the stipulated procedures under the Articles of Association, formulate differential cash dividend policy in the following situations: ① when there is no substantial arrangements for capital expenditure of the Company during a mature development stage of the Company, cash dividend shall amount to at least 80% of the relevant profits distribution; ② when there is substantial arrangements for capital expenditure of the Company during a mature development stage of the Company, cash dividend shall amount to at least 40% of the relevant profits distribution; ③ when there is substantial arrangements for capital expenditure of the Company during a growth stage of the Company, cash dividend shall amount to at least 20% of the relevant profits distribution; Unless otherwise provided by laws and administrative regulations, the sum of an interim dividend shall not exceed 50% of the distributable profit as shown in the Company's interim income statement.

(5) Requirement on the time for completion of profit distribution

The Company shall distribute profit to its shareholders according to their respective shareholdings within six (6) months after the end of each financial year.

After a resolution on the profit distribution plan is adopted at general meeting of the Company, the Board of the Company shall complete the distribution of the dividends (or shares) within two (2) months after the holding of the general meeting.

3. 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% or more of the Shares of the Company shall sign one or more counterpart requisitions requiring the Board to convene a Shareholders' extraordinary general meeting or a class meeting, and clarify the topic of the meeting. 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 2018, the Company convened three general meetings. The convening of and matters approved at the meetings are summarized as follows:

No.	Session and Number of Meeting	Date of Meeting	Name of Resolutions		Resolutions
1	The 1st extraordinary general meeting in 2018	25 January 2018	1.	Resolution in relation to the Signing of the Construction Project Connected Transaction Framework Agreement between the Company and STIG.	The resolution was duly considered and passed

No.	Session and Number of Meeting	Date of Meeting	Name of Resolutions	Resolutions
2	2017 Annual General Meeting	5 June 2018	1. Resolution in relation to profit distribution and dividend distribution plan of the Company for the year 2017; 2. Resolution in relation to the work report of the Board for the year 2017; 3. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2017; 4. Resolution in relation to the duty performance report of independent Directors for the year 2017; 5. Resolution in relation to the 2017 domestic and overseas annual reports and their summaries; 6. Resolution in relation to the Company's financial budget for the year of 2018; 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 2018; 8. Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2018; 9. Resolution in relation to the special self-inspection report of the real estate business; 10. Resolution in relation to the letter of undertaking on relevant matters of the real estate business.	All the resolutions were duly considered and passed

No.	Session and Number of Meeting	Date of Meeting	Name of Resolutions	Resolutions
3	2nd extraordinary general meeting in 2018	28 August 2018	Resolution in relation to the amendments to the articles of association of the Company.	The resolution was duly considered and passed

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 2018, 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, civil engineering, economy and accounting. With a responsible attitude and extensive professional knowledge and experience, the independent non-executive Directors have in good faith performed their independent duties of honesty and diligence in participating in discussion and decision-making on material matters of the Company, reviewing the connected transactions, capital transaction and external guarantee of the Company as well as giving their independent opinions or recommendations, whereby the overall interests of the Company and the lawful interests of the Shareholders as a whole have been effectively safeguarded. Independent non-executive Directors have played an important role in the Board of the Company.

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

3. *Meetings of the Board*

During the Year, the Board of the Company convened a total of 10 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 2018, 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	✔	✔

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 2018, 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	10	10	3	0	10/10	3/3
Gan Yongyi	10	10	3	0	10/10	3/3
Zheng Haijun	10	10	6	0	10/10	3/3
Tang Yong	10	7	3	3	7/10	1/3
Huang Bin	10	9	3	1	9/10	2/3
Wang Shuanming	10	10	3	0	10/10	3/3
Luo Maoquan	10	10	3	0	10/10	3/3
Ni Shilin	10	10	6	0	10/10	3/3
Sun Huibi	10	10	3	0	10/10	3/3
Guo Yuanxi	10	10	3	0	10/10	3/3
Yu Haizong	10	10	3	0	10/10	3/3
Liu Lina	10	10	3	0	10/10	3/3

Number of Board meetings held during the Year		10
Of which:	Number of physical meetings	4
	Number of meetings held via communications	3
	Number of meetings held by way of combination of both	3

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 2018, 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 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 may 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 2018 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 reelection.

The composition and duty performance of the committees during the period from 1 January 2018 to 31 December 2018 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	✓	1/1	–	–
Gan Yongyi	Executive Director	–	–	✓	1/1	–	–	✓	1/1
Sun Huibi	Independent non-executive Director	–	–	–	–	*	1/1	–	–
Guo Yuanxi	Independent non-executive Director	✓	6/6	–	–	✓	1/1	–	–
Yu Haizong	Independent non-executive Director	*	6/6	–	1/1	–	–	✓	1/1
Liu Lina	Independent non-executive Director	✓	6/6	✓	–	–	–	*	1/1

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 2018 as follows:

Written Report of the Audit Committee

The Audit Committee convened 6 meetings in 2018 and 2 meetings in 2019 (as of 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 15th 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 reviewing significant financial reporting judgments contained in such statements and reports. In accordance with relevant procedures, the management is responsible for preparation of the Group's financial reports including adoption of appropriate accounting policies, the external auditors are responsible for auditing and verifying the Group's financial reports and evaluating the Group's internal control system, while the Audit Committee supervises the work of 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 2017 annual financial statements and unaudited financial statements for the first half year of 2018 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2018 (according to the PRC GAAP), and making approval suggestions to the Board.

(2) Before the annual audit of 2018, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2018 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 2019 first meeting to discuss and communicate with the external auditors of the Company on relevant issues of the financial and accounting statements of the Company and the preliminary audit opinions of the auditors.

(4) During the audit process for the Year, the Audit Committee maintained continuous communications with external auditors, who submitted this Year's audit report on time after prior and complete communications and prompt supervision during the audit.

(5) The Audit Committee convened the 2019 second meeting to consider the 2018 annual audit report of the Company and considered that the Group's 2018 annual financial statements can truly and correctly reflect the operation results of the Group for the year 2018, and the financial position as of 31 December 2018. 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 2017 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 2018 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 regulator 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 2018 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 2019 respectively.

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

28 March 2019

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 earnestly reviewed the Thirteenth Five-Year Development Plan of Sichuan Expressway Company Limited (2016–2020) (Revised in 2018) ("Plan (Revised)"). The Plan explicitly specifies that, during the "Thirteenth Five-Year Plan" period, the Company will continue to advance diversified development which is highly relevant to its principal business based on the construction and operation of expressways, with the focus on five major segments, namely, the toll roads and bridges, financial investment, city operation, energy investment and transportation, tourism, culture, and education. After that, the Strategic Committee considered that the Plan (Revised in 2018) meet the depth of preparation and was in compliance with the actual situation of the Company, conducive to the development of the Company, so approved unanimously the Plan (Revised in 2018).

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.

The Board diversity policy of the Company is that the Nomination Committee takes into consideration various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge, when determining the Board composition. On top of the above factors, qualities such as the candidate's comprehensive value to the business and development of the Company, his/her potential contribution to the Board and requirements on Board diversity will be taken into account when making the final decision.

During the Year, the Nomination Committee discussed and reviewed the Implementation Rules of the Nomination Committee under the Board of Directors; reviewed the structure, size and composition of the Board (including knowledge, skills and experience of its members). 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 supervised and reviewed the implementation of the Company's remuneration system. It also conducted assessment and evaluation on the operation performance and sustainable professional development of the executive Directors and the management of the Company for 2018.

III. SUPERVISORY MECHANISM

(I) Supervisory Committee

As at 31 December 2018, the Supervisory Committee of the Company comprises 5 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 9 meetings in total. All Supervisors attended each committee meeting, all of whom supervised, on behalf of the Shareholders, the Company's financial affairs as well as the legality and compliance of the duties performed by Directors and senior management, attended the meetings of the Board and general meetings as observers, and honestly performed the duties of the Supervisory Committee. The working details of the Supervisory Committee are set out in "Report of the Supervisory Committee" in this annual report.

(II) 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 2018 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

	2018		2017	
Items	**Shinewing Certified Public Accountants (Special General Partnership)**	**Ernst & Young Certified Public Accountants**	Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
Fees for audit/review of financial statements	**1,220**	**1,960**	740	1,960
Audit fee of internal control	**300**	**–**	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 2018 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 2019 respectively were approved by the Board and will be presented at the 2018 AGM for consideration and approval.

(IV) Information Disclosure and Investor Relations

Information disclosure

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

During the Reporting Period, the Company released 4 periodic reports and 57 announcements concerning A Shares and 87 announcements concerning H Shares pursuant to the Listing Rules of the SSE and the Stock Exchange. Announcements concerning A Shares were published on the websites of the SSE and the Company as well as in China Securities Journal and Shanghai Securities News, while those concerning H Shares were published on the websites of the Stock Exchange and the Company. Details of all these announcements are available for inspection on http://www.sse.com.cn, http://www.hkex.com.hk or the Company's website http://www.cygs.com.

Investor relations

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

During the Reporting Period, on the basis of strictly discharging its obligations in respect of statutory information disclosure, the Company, on one hand, through various forms of investor relations activities, conveyed information to investors which they are concerned with, increased the transparency of the Company, and enhanced mutual understanding and trust, while on the other hand, in delivering information to investors, the Company listened to their advice and collected feedback from them, aiming to form an interactive and mutual beneficial relation between the Company and investors. When the Company conducts its investor relations work, the Board Office of the Company 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 2018.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and carries out diversified operations which are highly relevant to our principal business. Its businesses cover five major segments, namely, the toll roads and bridges, financial investment, city operation, energy investment and transport, tourism, culture and education. 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 2018 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 has applied for formal toll collection subsequent to its completion, examination and final auditing, pending approval, and thus extended the trial toll collection period to 31 March 2019; Suixi Expressway and Suiguang Expressway are currently on trial for toll collection until 8 October 2019 and will apply for formal toll collection according to relevant regulations after finishing construction, examination and final auditing.

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 2018, 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 has applied for formal toll collection subsequent to its completion, examination and final auditing, pending approval, and thus extended the trial toll collection period to 31 March 2019; Suixi Expressway and Suiguang Expressway are currently on trial for toll collection until 8 October 2019 and will apply for formal toll collection according to relevant regulations after finishing construction, examination and final auditing). 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, energy investments, financial investments, transportation, tourism, culture, education 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 Thirteenth 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 continues 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 for a period of 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.

(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; moreover, we will 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. Within the year of 2016, 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.

The "Environmental, Social and Governance Report" required by the Listing Rules of the Stock Exchange has been published by the Company on 28 March 2019. Details about the environmental policy and performances, please refer to the "2018 Environmental, Social and Governance Report".

CHARITABLE DONATION

During the reporting period, the funds and materials devoted by the Group for charity and social benefit amounted to RMB1,413,000

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the audited financial statements on pages 107 to 224 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 2018 of RMB0.1 per share (tax inclusive), aggregating to approximately RMB305,806,000 and representing 49.87% of the distributable profit of the Company determined under PRC GAAP for the year and 36.01% 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 2018 AGM. If approved, the final dividend is expected to be paid on or around Thursday, 11 July 2019 to the Shareholders whose names appear on the H Shares register of members of the Company on Thursday, 20 June 2019 (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 2018 AGM and to receive the proposed 2018 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				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Profit before tax	**1,205,912**	1,310,527	1,436,843	1,375,341	1,299,848
Income tax expense	**(304,086)**	(329,373)	(294,950)	(270,128)	(227,977)
PROFIT FOR THE YEAR	**901,826**	981,154	1,141,893	1,105,213	1,071,871
Other comprehensive income/(loss) for the year, net of tax	**(12,635)**	1,903	(4,487)	(8,702)	30,170
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**889,191**	983,057	1,137,406	1,096,511	1,102,041
Profit attributable to:					
Owners of the Company	**849,638**	894,376	1,056,584	1,006,586	975,999
Non-controlling interests	**52,188**	86,778	85,309	98,627	95,872
	901,826	981,154	1,141,893	1,105,213	1,071,871
Total comprehensive income attributable to:					
Owners of the Company	**837,030**	896,279	1,052,097	997,884	1,006,169
Non-controlling interests	**52,161**	86,778	85,309	98,627	95,872
	889,191	983,057	1,137,406	1,096,511	1,102,041

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**36,035,058**	34,265,735	36,351,121	33,458,356	28,803,105
TOTAL LIABILITIES	**(21,150,659)**	(19,981,022)	(22,467,089)	(20,161,708)	(16,435,703)
NON-CONTROLLING INTERESTS	**(392,793)**	(390,639)	(559,829)	(777,382)	(601,375)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**14,491,606**	13,894,074	13,324,203	12,519,266	11,766,027

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

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB4,770,980,000, The Company's distributable reserves as at 31 December 2018 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** *RMB'000*	**Percentage over the total annual purchase** *(%)*
1	PetroChina Company Limited Sichuan Sales Chengdu Branch, Luzhou Branch and etc.	1,021,483	22
2	Sichuan Trading Construction Engineering Co., Ltd.	670,123	14
3	China Petroleum & Chemical Corporation Sichuan Petroleum Branch	264,416	6
4	PetroChina Yanchang Oil Sales Co., Ltd.	234,890	5
5	Chengdu Yinlong Oil Material Trading Co., Ltd.(成都銀龍油料貿易有限公司)	145,015	3
Total		2,335,927	50

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. Ouyang Huajie
Mr. Meng Jie
Mr. Lin Binhai
Mr. Hu Yaosheng

All the members of the Board and Supervisory Committee were 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 2018, 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 2018, 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
STIG	A Shares	Long Position	989,460,078	32.36%	45.75%	Beneficial owner
	H Shares	Long Position	60,854,200	1.99%	6.80%	Beneficial owner
		Total:	1,050,314,278	34.35%	–	Beneficial owner
China Merchant Expressway Company	A Shares	Long Position	664,487,376	21.73%	30.72%	Beneficial owner
	H Shares	Long Position	70,852,000	2.32%	7.91%	Interest in controlled corporation[1]
		Total:	735,339,376	24.05%		

Note: Cornerstone Holdings Limited is wholly owned by China Merchants Expressway Company, which is therefore deemed to be interested in the H shares held by Cornerstone Holdings Limited under the SFO.

Save as disclosed above, as at 31 December 2018, 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.

CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules:

(a) On 6 March 2017, the Proposal for Non-public Issuance of A Shares of Sichuan Expressway Company Limited in 2017 and other resolutions were considered and approved at the sixth meeting of the sixth session of the Board of the Company, pursuant to which, the Company proposed to make a non-public issuance of no more than 611,612,000 A Shares to STIG, the controlling shareholder of the Company, and raised funds of a total amount of no more than RMB3,500 million.

On 6 March 2017, the Company and STIG entered into an A Share subscription agreement, pursuant to which, STIG conditionally agreed to subscribe for, and the Company conditionally agreed to issue, a maximum of 611,612,000 A Shares (subject to adjustment) to STIG which would raise a maximum of gross proceeds of RMB3,500 million.

The Resolution on the Termination of the 2017 Non-public Issuance of A Shares upon Expiry was considered and approved respectively at the 23rd meeting of the sixth session of the Board and the 21st meeting of the sixth session of the supervisory committee of the Company on 14 November 2018. The domestic capital market environment experienced significant changes during the course of application for the non-public issuance and the shareholders' resolution regarding the non-public issuance shall be valid for 12 months commencing from the date of approval of the proposal for the non-public issuance at the abovementioned general meeting. As such, the proposal for the non-public issuance would lapse automatically upon expiry of the shareholders' resolution according to the relevant requirements of CSRC and Shanghai Stock Exchange. To safeguard the interests of the investors, the Company has decided to terminate the non-public issuance and apply to CSRC for the withdrawal of the relevant application documents after rounds of communications with the professional parties. As the termination of the non-public issuance upon expiry by the Company was resolved after giving prudent consideration of changes in the relevant market environment and other factors as well as the latest operations of the Company, it will not have any material impact on the production and operation of the Company, nor will it prejudice the interests of the Company and its shareholders, especially the interests of non-connected shareholders and minority shareholders of the Company.

(b) On 16 November 2018, Chengyu Financial Leasing and Sichuang Xingcheng Gangrui Construction Material Co., Ltd. ("Gangrui Construction Material") entered into the Finance Lease Agreement, pursuant to which, Chengyu Financial Leasing shall purchase the Equipment from Gangrui Construction Material at a consideration of RMB35,000,000. Chengyu Financial Leasing shall lease the Equipment back to Gangrui Construction Material for a lease period of 36 months, commencing from the date of payment of the consideration for the purchase of the Equipment by Chengyu Financial Leasing. STIG is a controlling shareholder of the Company, and Gangrui Construction Material is an indirect subsidiary of STIG and thus an associate of STIG and a connected person of the Company under Rule 14A.07(4) of the Listing Rules. In addition, 70% of the equity interests of Chengyu Financial Leasing is held by the Company directly or through its wholly-owned subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules:

(a) On 24 December 2010, the Company and Sichuan Zhineng Transportation System Management Company Limited ("Zhineng Company"), 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. 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. During the year, the Group paid a total of approximately RMB14,686,000 (2017: RMB13,228,000) to Zhineng Company as service fee. On 29 November 2018, the Company renewed the service agreement for a term of 3 years from 1 January 2019 to 31 December 2021, with a service charge of 0.4% of toll income or RMB25,000,000 per annum, whichever is lower.

(b) On 1 October 2010, the Company entered into a one year tenancy agreement with STIG Group whereby the Company leased out a certain part of its office buildings to STIG 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. On 1 October 2016, the tenancy agreement was extended at RMB2,442,000 per annum to 1 October 2017. On 1 October 2017, the tenancy agreement was extended at RMB2,442,000 per annum to 1 October 2018. On 1 October 2018, the tenancy agreement was extended at RMB2,442,000 per annum to 1 October 2019. During the year, the rental received from STIG Group amounted to RMB2,442,000 (2017: RMB2,442,000).

(c) On 30 October 2017, the Company and Trading Construction Company entered into continuing connected transactions – Construction Framework Agreement ("Previous Construction Framework Agreement"). Connected party transaction amounts recognised in this year are as below:

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 RMB670,123,000, which was below the cap amount of RMB5,150,000,000.

As the Previous Construction Framework Agreement entered into between the Company and STIG would expire on 31 December 2018, the Company and STIG entered into a construction framework agreement on 30 October 2018, pursuant to which, STIG and its subsidiaries (other than the Group) shall contract certain construction services from the Group for the period from 1 January 2019 to 31 December 2019. STIG is a controlling shareholder of the Company which holds approximately 33.87% of the issued share capital of the Company.

(d) On 25 January 2018, the Company and STIG entered into continuing connected transactions – Purchase Framework Agreements. Connected party transaction amounts recognised in this year are as below:

During the year, the Group purchased materials from STIG Group, which included raw materials, machinery and electronic equipment for various infrastructure construction projects. Purchase amount recognised during the year amounted to RMB652,000, which was below the cap amount of RMB30,000,000.

(e) On 28 December 2017, the Company and PetroChina Sichuan Sales Branch entered into the Refined Oil Agreement. Connected party transaction in this year is as below:

Pursuant to the Refined Oil Agreement entered into between the Company and PetroChina Company Limited Sichuan Sales Branch (中國石油天然氣股份有限公司四川銷售分公司), Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2018 to 31 December 2018. Purchase amount recognised during the year approximate to RMB1,021,483,000, which was below cap amount of RMB1,500,000,000. On 27 December 2018, the Company and PetroChina Sichuan Sales Branch agreed to renew the transaction terms. Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2019 to 31 December 2019, with the annual cap being RMB1,600,000,000. PetroChina Company Limited Sichuan Sales Branch is a subsidiary of PetroChina Company Limited (中國石油天然氣股份有限公司), which holds 49% equity interest in Zhonglu Energy.

(f) On 25 January 2018, Zhonglu Energy (a subsidiary of the Company) and TCC entered into the Material Purchase Agreement. Connected party transaction in this year is as below:

Pursuant to the Materials Purchase Agreement entered into between Zhonglu Energy and Trading Construction Company, Zhonglu Energy agreed to sell petrochemicals such as asphalt and refined oil and other raw materials to Trading Construction Company for the year from 25 January 2018 to 31 December 2018. Sales amount recognised during the year approximate to RMB348,000, which was below cap amount of RMB30,000,000.

(g) On 26 August 2016, Renshou Landmark Company and Sichuan Trading Real Estate entered into Sales Agency Framework Agreement ("Previous Sales Agency Framework Agreement"), and had the following continuing connected transactions: Pursuant to the Sales Agency Framework 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 North Town Times Project for the year from 26 August 2016 to 31 December 2018. Sales commission recognised during 2018 amounted to RMB14,912,000 (2017: RMB3,387,000), which was below cap amount of RMB20,000,000. As the Previous Sales Agency Framework Agreement would expire on 31 December 2018, Renshou Landmark Company and Sichuan Trading Real Estate renewed the Sales and Promotion Agency Framework Agreement on 27 December 2018. Sichuan Trading Real Estate have agreed to serve as the sales agent and promotion agent for the North Town Times Project of Renshou Landmark Company from 1 January 2019 to 31 December 2021. The annual caps for the three financial years ending 31 December 2019, 2020 and 2021 are RMB45,000,000, RMB80,000,000 and RMB80,000,000 respectively. Sichuan Trading Real Estate is an indirect wholly-owned subsidiary of STIG.

(h) On 19 July 2018, Zhonglu Energy Company, PetroChina Yanchang Petroleum Sales Co., Ltd. (中油延長石油銷售股份有限公司), entered into Chemical Products Agreement. Pursuant to the Chemical Products Agreement entered into between Zhonglu Energy Company and PetroChina Yanchang Petroleum Sales Co., Ltd., Zhonglu Energy Company agreed to purchase a variety of chemical products from PetroChina Yanchang Petroleum Sales Co., Ltd. for the year from 19 July 2018 to 31 December 2018. Purchase amount recognised during the period approximate to RMB234,890,000, which was below cap amount of RMB350,000,000. PetroChina Company Limited holds 40% equity interests in Zhonglu Energy Company and 40% equity interests in PetroChina Yanchang Petroleum Sales Co., Ltd..

(i) On 19 July 2018, Zhonglu Energy and PetroChina Yanchang Petroleum Sales Co., Ltd. entered into the Sale Framework Agreement of Chemical Products, pursuant to which, Zhonglu Energy has agreed to sell certain kinds of chemical products to PetroChina Yanchang Petroleum Sales Co., Ltd. during the period from 19 July 2018 to 31 December 2018. Sales amount recognised during the period approximate to RMB51,568,000, which was below cap amount of RMB350,000,000.

Further details of the Group's connected transactions during the year are included in note 38 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 44 to the financial statements, which constitutes part of the Report of the Directors.

AUDITORS

Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young retire and a resolution for their reappointment as domestic and international auditors of the Company will be proposed at the forthcoming 2018 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 2018 AGM and to receive the 2018 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 2018 AGM

Deadline for lodging transfer documents	4:30 p.m. on 3 May 2019 (Friday)
Closure period of the H Shares register of members	From 4 May 2019 (Saturday) to 5 June 2019 (Wednesday) (both days inclusive)
Record date	5 June 2019 (Wednesday)
Date of the 2018 AGM	5 June 2019 (Wednesday)

(b) In respect of the entitlement to 2018 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 14 June 2019 (Friday)
Closure period of the H Shares register	From 15 June 2019 (Saturday) to 20 June 2019 (Thursday) (both days inclusive)
Dividend Entitlement Date	20 June 2019 (Thursday)

In order to be entitled to attend and vote at the 2018 AGM, and to receive the 2018 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 SSE in respect of details of the arrangements regarding (i) the distribution of 2018 final dividend to the holders of A Shares and (ii) eligibility of the holders of A Shares for attending the 2018 AGM.

ON BEHALF OF THE BOARD

Zhou Liming
Chairman

Chengdu, Sichuan Province, the PRC
28 March 2019

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. 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	55	From September 2002 to present	Chairman and Executive Director	0.00
Gan Yongyi	Male	55	From March 2001 to present	Vice Chairman, Executive director and General Manager	48.29
Zheng Haijun	Male	60	From July 2016 to present	Vice Chairman and Non-executive Director	0.00
Tang Yong	Male	55	From March 2007 to present	Non-executive Director	0.00
Huang Bin	Male	51	From March 2013 to present	Non-executive Director	0.00
Wang Shuanming	Male	59	From March 2007 to present	Non-executive Director	0.00
Luo Maoquan	Male	54	From December 2006 to present	Executive Director and Deputy General Manager	39.23
Ni Shilin	Male	52	From August 2015 to present	Non-executive Director	0.00
Sun Huibi	Male	74	From March 2013 to present	Independent Non-executive Director	8.00
Guo Yuanxi	Male	68	From March 2013 to present	Independent Non-executive Director	8.00
Yu Haizong	Male	54	From March 2013 to present	Independent Non-executive Director	8.00
Liu Lina	Female	61	From July 2016 to present	Independent Non-executive Director	8.00
Feng Bing	Male	56	From June 2005 to present	Chairman of Supervisory Committee	48.29
Ouyang Huajie	Male	50	From March 2007 to present	Supervisor	0.00
Meng Jie	Male	41	From July 2016 to present	Supervisor	0.00
Lin Binhai	Male	60	From August 2002 to present	Supervisor	39.23
Hu Yaosheng	Male	42	From February 2004 to present	Supervisor	33.08
Liu Junjie	Male	55	From February 2009 to present	Deputy General Manager	39.23
He Zhuqing	Male	42	From December 2013 to present	Deputy General Manager	39.23
Zhang Yongnian	Male	56	From August 1997 to present	Secretary to the Board	39.23
Tian Yi	Male	51	From December 2014 to present	Secretary of Discipline Inspection Commission	39.23
Guo Renrong	Male	46	From October 2017 to present	Financial Controller	39.23
Luo Zuyi	Male	45	From April 1998 to present	Member of the Party Committee	39.23

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

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There are no changes in directors, supervisors and senior management of the Company during the Reporting Period.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Zhou Liming, aged 55, 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 Expressway Construction and Development, deputy general manager of STIG, 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 STIG, 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 55, 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, and an Executive Director, Vice Chairman and General Manager of the sixth session of the Board the Company.

Mr. Zheng Haijun, aged 60, 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 Guangxi Wuzhou Transportation Company Limited (廣西五洲交通股份有限公司) (a company listed on the SSE) and the vice chairman of the board of directors of China Merchants Holdings (Pacific) Limited, etc. He is currently a Non-executive Director and the Vice Chairman of the sixth session of the Board of the Company.

Mr Tang Yong, aged 55, 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 STIG, the chairman of Sichuan Expressway Construction and Development, and a Non-executive Director of the sixth session of the Board of the Company.

Mr. Huang Bin, aged 51, 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 STIG, and a Non-executive Director of the sixth session of the Board of the Company.

Mr. Wang Shuanming, aged 59, 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 Expressway Construction and Development. He is currently the chief economist of STIG and a Non-executive Director of the sixth session of the Board of the Company.

Mr. Luo Maoquan, aged 54, 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, Chengya Oil Company and Trading Construction Company, 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 52, 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 and 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), general manager of administration department of China Merchants Highway Company. Mr. Ni Shilin is currently the overseas business director and GM assistant of China Merchants Highway Company, director of CORNERSTONE HOLDING LIMITED(香港佳選控股有限公司), 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 74, 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 68, 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 "State 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, a professor, researcher and a doctoral supervisor of Southwestern University of Finance and Economics. Currently he is an Independent Non-executive Director of the sixth session of the Board of the Company.

Mr. Yu Haizong, aged 54, 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 and accounting professor 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 61, 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 56, 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, deputy head, investigator and head of the Overall Planning Division of the SPDT, and an independent non-executive director of Jilin Expressway Company Limited (a company listed on the SSE) (resigned in January 2019). He is currently the Chairman of the sixth session of the Supervisory Committee of the Company.

Mr. Ouyang Huajie, aged 50, 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 Expressway Construction and 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 Expressway Construction and 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 STIG and a Supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Meng Jie, aged 41, 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 GM assistant, deputy general manager and general manager of First Department of Shares Management of China Merchants Highway Company, 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 60, 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, a director of Chengya Oil Company and a supervisor of Trading Construction Company and Shuxia Company. He formerly served as a director of Trading Industry Company (resigned in February 2019), and Deputy Party Secretary and Chairman of Labor Union of the Company (resigned in March 2019). He is currently a Supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Hu Yaosheng, aged 42, 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 and Renshou Trading Landmark Company and the chairman of the Supervisory Committee of Tianyi United Company, the head 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 55, 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 Property Company (previously known as Trading Landmark Company) and Trading Construction Company, a director, the chairman and legal representative of Tianyi United Company and the Deputy General Manager of the Company.

Mr. He Zhuqing, aged 42, 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) and CSI SCE. He is currently the head of Overseas Business Department of STIG Group, a chairman of Chengyu Financial Leasing Company and Chengyu Jianxin Fund Company, the chairman of Zhongxin Company and the Deputy General Manager of the Company.

Mr. Zhang Yongnian, aged 56, 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 50, 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. Guo Renrong, aged 46, holder of Master's degree in engineering in software engineering of Beijing Institute of Technology and is a senior accountant. He was the cashier, accountant, chief of finance, secretary of the Communist Youth League branch of Panzhihua Traffic Mechanization Engineering Company (攀枝花交通機械化工程公司); the accountant, chief accountant, deputy director of Financial Department of Northern Sichuan Expressway Co., Ltd.; the deputy director of the Financial Department, deputy manager and manager of the Financial Division of Sichuan Guangba Expressway Co., Ltd. (四川廣巴高速公路有限責任公司); the deputy director of Financial Management Department (fund management center) of Sichuan Transportation Investment Group Co., Ltd.; the Deputy Party Secretary, Deputy General Manager of Sichuan Transportation Investment Industrial & Financial Company Limited (四川交投產融控股有限公司) and chairman, legal representative of Shenyinwanguo Transportation Investment Industrial & Financial In-vestment Management Company Limited (申銀萬國交投產融投資管理公司). He is currently a member of the Fourth Session of the Council and a supervisor of the Second Session of the Supervisory Committee of the Sichuan Listed Company Association, a director of Chengyu Financial Leasing Company and CSI SCE, the chairman of the Risk Control Committee of Zhongxin Company and the financial controller of the company.

Mr. Luo Zuyi, aged 45, holds a EMBA master degree from University of Electronic Science and Technology of China, and is a political 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. EMPLOYEES

As at 31 December 2018, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,630
Number of in-service employees of major subsidiaries	1,832
Total number of in-service employees	4,462
Number of retired or resigned employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	None

Composition by Expertise

Type of Expertise	Number of people
Production	3,311
Sales	13
Technical	417
Financial	135
Administrative	586
Total	4,462

Educational Level

Type of Education Level	Number of people
Postgraduate	178
University graduate	1,115
Junior college graduate	2,182
Technical secondary school and below	987
Total	4,462

1. Employees' 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 2018, the employees' salary of the Group totalled approximately RMB442,617,790 of which approximately RMB253,955,100 for the employees of the Company (including its branches).

2. Employees' 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 in-jury, 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 16,022 attendances of the Company's employees (including its branches) was recorded for the above training courses.

REPORT OF THE SUPERVISORY COMMITTEE

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

I. WORK OF THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee held 9 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 14th Meeting of the sixth session of the Supervisory Committee	25 January 2018	1. Resolution in relation to the Purchase Connected Transaction Framework Agreement entered into between the Company and STIG; 2. Resolution in relation to the Purchase Connected Transaction Framework Agreement of Petrochemical Products entered into between Zhonglu Energy and TCC.
The 15th Meeting of the sixth session of the Supervisory Committee	29 March 2018	1. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2017; 2. Resolution in relation to the Scheme of Profit Distribution and Dividend Payment for 2017; 3. Resolution in relation to the 2017 domestic and overseas annual reports and their summaries; 4. Resolution in relation to the 2017 Internal Control Evaluation Report; 5. Resolution in relation to the 2017 Environmental, Social and Governance Report; 6. Resolution in relation to the 2018 Annual Financial Budget; 7. Resolution in relation to the re-appointment of Shinewing Certified Public Accountants as the domestic auditor of the Company for the year 2018; 8. Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2018. 9. Resolution in relation to the review of changes in accounting policies.

Meeting of the Supervisory Committee	Meeting Date	Topics
The 16th Meeting of the sixth session of the Supervisory Committee	27 April 2018	1. Resolution in relation to the 2018 First Quarterly Report; 2. Review opinion in relation to the preparation of the 2018 First Quarterly Report of the Company.
The 17th Meeting of the sixth session of the Supervisory Committee	5 June 2018	1. Examining the resolution in relation to amendments to the Articles of Association.
The 18th Meeting of the sixth session of the Supervisory Committee	19 July 2018	1. Resolution in relation to the approval of the signing of the Connected Transaction Framework Agreement on Purchase of Chemical Products Including Fuel Oil and Mixed Aromatics between Zhonglu Energy and PetroChina Yanchang; 2. Resolution in relation to the approval of the signing of the Connected Transaction Framework Agreement on Sale of Chemical Products Including Isooctane and Heavy Oil between Zhonglu Energy and PetroChina Yanchang.
The 19th Meeting of the sixth session of the Supervisory Committee	28 August 2018	1. Resolution in relation to the changes in accounting policies; 2. Resolution in relation to the unaudited financial report for the six months ended 30 June 2018 and 2018 interim report and its summary; 3. Resolution in relation to not distributing any interim dividend and not transferring capital reserve into share capital in 2018.
The 20th Meeting of the sixth session of the Supervisory Committee	30 October 2018	1. Resolution in relation to the 2018 Third Quarterly Report; 2. Resolution in relation to the signing of the Construction Connected Transaction Framework Agreement between the Company and STIG.

Meeting of the Supervisory Committee	Meeting Date	Topics
The 21th Meeting of the sixth session of the Supervisory Committee	14 November 2018	1. Resolution in relation to the review of termination of non-public issuance of new A shares in 2017 upon expiry;
The 22th Meeting of the sixth session of the Supervisory Committee	27 December 2018	1. Resolution in relation to the signing of Sale and Purchase of Refined Oil Product Connected Transaction Framework Agreement between the Company and PetroChina Sichuan; 2. Resolution in relation to the signing of the Trading Landmark • North Town Times Project Sales Agency and Integration and Promotion Agency Connected Transaction Framework Agreement between Renshou Trading Landmark Company and Trading Real Estate Marketing and Planning 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 an honest and kind manner.

In 2018, 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 attendance/ required attendance in the meetings	Number of attendance/ number of meeting
Feng Bing	9	9	3	0	9/9	3/3
Ouyang Huajie	9	9	3	0	9/9	3/3
Meng Jie	9	9	5	0	9/9	3/3
Lin Binhai	9	9	3	0	9/9	3/3
Hu Yaosheng	9	9	3	0	9/9	3/3

Number of meetings of the Supervisory Committee held during the Year		9
Of which:	Number of physical meetings	4
	Number of meetings held via communications	3
	Number of meetings held by way of combination of both	2

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 reviewed issues being discussed at the meetings by virtue of their expertise and experience.

II. INDEPENDENT OPINIONS FROM THE SUPERVISORY COMMITTEE ON COMPLIANCE OF THE COMPANY'S OPERATIONS WITH LEGAL REQUIREMENTS

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

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

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

Having cautiously reviewed the Company's 2018 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 2018 Annual Financial Reports of the Company under the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, and have issued audit reports with standard unreserved opinions. The Supervisory Committee is of the view that the audit reports have reflected the actual situations of the Company's financial income and expenditure, operating results and cash flows.

IV. 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 2018, the Board had issued the 2018 Assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2018 Assessment Report on Internal Control issued by the Board, and considered that the report comprehensively and objectively reflected the establishment and operation of the Company's internal control system. The Company has established a relatively comprehensive internal control system and is continuously optimizing and enhancing it, and has kept the standard operation of the Company under good supervision and guidance.

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

Save for the connected transactions disclosed in note 38 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

冯炳

Feng Bing
Chairman of the Supervisory Committee

Chengdu, Sichuan, the PRC
28 March 2019

Ernst & Young
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To the shareholders of Sichuan Expressway Company Limited
(Incorporated 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 (the "Group") set out on pages 112 to 224, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of *Ethics for Professional Accountants* (the "Code"), 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.

KEY AUDIT MATTERS (CONTINUED)

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 matter	How our audit addressed the key audit matter
Impairment of trade receivables and contract assets	
As at 31 December 2018, the Group had trade receivables and contract assets of approximately RMB1,738,014,000 (2017: RMB1,611,678,000). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. The accounting policies and disclosures about the impairment assessment for trade receivables are included in Note 2.4, Note 3, Note 27, Note 28 and Note 41 to the consolidated financial statements.	Our audit procedures to assess the impairment of trade receivables included the following: • We assessed and tested the design and operating effectiveness of the internal controls over the credit approval process and impairment assessments; • We obtained corroborative evidences 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 assessed the appropriateness of the expected credit loss provisioning methodology, examined the key data inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information used to determine the expected credit losses, analysed the customers' historical payment patterns and checked bank receipts for the payments received subsequent to year end; and; • We assessed the adequacy of the disclosures regarding the impairment provisions of trade receivables and contract assets and the Group's exposure to credit risk in the consolidated 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 involves significant management judgement and estimation including the expected gross domestic product (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 financial statements.	Our audit procedures included the following: • We evaluated the estimated projected total traffic volume of the 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 the projected total traffic volume such as the 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 the expressways; • We considered whether the amortisation methodology adopted by the Group best represented the expected future economic benefits of the Group; and • We assessed the adequacy of the related disclosures in the 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

28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
REVENUE	4, 5	**6,820,997**	8,864,370
Cost of sales		**(4,748,521)**	(6,751,804)
Gross profit		**2,072,476**	2,112,566
Other income and gains	5	**239,154**	262,845
Administrative expenses		**(297,148)**	(293,125)
Other expenses		**(85,675)**	(17,392)
Finance costs	6	**(777,174)**	(801,146)
Share of profits and losses of:			
Joint ventures		**23,630**	9,500
Associates		**30,649**	37,279
PROFIT BEFORE TAX	7	**1,205,912**	1,310,527
Income tax expense	9	**(304,086)**	(329,373)
PROFIT FOR THE YEAR		**901,826**	981,154
Attributable to:			
Owners of the Company		**849,638**	894,376
Non-controlling interests		**52,188**	86,778
		901,826	981,154
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**–**	2,337
Income tax effect		**–**	(434)
		–	1,903
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:			
Changes in fair value		**(15,109)**	–
Income tax effect		**2,474**	–
		(12,635)	–

	Notes	**2018** **RMB'000**	2017 RMB'000
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(12,635)**	1,903
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**889,191**	983,057
Attributable to:			
Owners of the Company		**837,030**	896,279
Non-controlling interests		**52,161**	86,778
		889,191	983,057
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	11	**RMB0.278**	RMB0.292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**561,835**	551,309
Service concession arrangements	13	**24,810,236**	24,857,661
Prepaid land lease payments	14	**297,979**	330,522
Other intangible assets	15	**–**	333
Investments in joint ventures	16	**765,156**	231,526
Investments in associates	17	**234,845**	218,841
Available-for-sale investments	18	**–**	183,593
Equity investments at fair value through other comprehensive income	18	**324,137**	–
Loan to customers	19	**702,642**	605,193
Long term compensation receivables	20	**32,488**	39,930
Payments in advance	21	**2,000**	2,000
Contract assets	27	**329,270**	–
Contract costs		**14,912**	–
Deferred tax assets	22	**1,726**	7,251
Interests in land held for property development	23	**165,148**	165,148
Pledged deposits	29	**15,000**	1,258
Total non-current assets		**28,257,374**	27,194,565
CURRENT ASSETS			
Properties under development	24	**1,620,428**	1,468,570
Completed properties held for sale	24	**176,002**	334,999
Inventories	25	**25,763**	36,887
Loan to customers	19	**627,152**	416,624
Trade and other receivables	28	**1,546,562**	2,014,201
Contract assets	27	**123,099**	–
Pledged deposits	29	**1,258**	80,636
Cash and cash equivalents	29	**3,657,420**	2,719,253
Total current assets		**7,777,684**	7,071,170
CURRENT LIABILITIES			
Tax payable		**65,919**	75,131
Trade and other payables	31	**2,992,460**	2,925,740
Due to customers for contract works	26	**–**	35,969
Contract liabilities	30	**29,398**	–
Dividend payables		**14,884**	4,399
Interest-bearing bank and other loans	32	**2,174,520**	2,560,050
Total current liabilities		**5,277,181**	5,601,289
NET CURRENT ASSETS		**2,500,503**	1,469,881
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,757,877**	28,664,446

	Notes	2018 **RMB'000**	2017 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	32	**15,382,673**	14,285,597
Deferred tax liabilities	22	**6,175**	6,036
Contract liabilities	30	**374,467**	–
Deferred income	31	**110,163**	88,100
Total non-current liabilities		**15,873,478**	14,379,733
Net assets		**14,884,399**	14,284,713
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	**3,058,060**	3,058,060
Reserves	34	**11,433,546**	10,836,014
		14,491,606	13,894,074
Non-controlling interests		**392,793**	390,639
Total equity		**14,884,399**	14,284,713

Zhou Liming
Director

Gan Yongyi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company											
	Issued capital *RMB'000* *(note 33)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 34(a))*	Difference arising from changes in non-controlling interests *RMB'000*	Available-for-sale investment valuation reserve *RMB'000*	Merger difference *RMB'000* *(note 34(b))*	Safety fund reserve *RMB'000* *(note 34(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	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
Profit for the year	–	–	–	–	–	–	–	–	894,376	894,376	86,778	981,154
Other comprehensive loss for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	1,903	–	–	–	–	1,903	–	1,903
Total comprehensive income/(loss) for the year	–	–	–	–	1,903	–	–	–	894,376	896,279	86,778	983,057
Transfer from/(to) reserves	–	–	496,352	–	–	–	–	–	(496,352)	–	–	–
Establishment for safety fund surplus reserve	–	–	–	–	–	–	12,854	–	(12,854)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	–	–	(6,915)	–	6,915	–	–	–
Disposal of subsidiaries	–	–	(19,148)	–	–	–	(30,194)	–	49,342	–	(401,496)	(401,496)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	202,366	202,366
Deemed disposal of the shares in a subsidiary by way of capital contribution	–	–	–	9,979	–	–	–	–	–	9,979	(9,979)	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(46,859)	(46,859)
Final 2016 dividend paid	–	–	–	–	–	–	–	–	(336,387)	(336,387)	–	(336,387)
At 31 December 2017	3,058,060	2,654,601*	4,860,257*	(254,570)*	30,961*	(533,123)*	7,710*	32,820*	4,037,358*	13,894,074	390,639	14,284,713

	Attributable to owners of the Company												
	Issued capital *RMB'000* *(note 33)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 34(a))*	Difference arising from changes in non-controlling interests *RMB'000*	Fair value reserve *RMB'000*	Available-for-sale investment valuation reserve *RMB'000*	Merger difference *RMB'000* *(note 34(b))*	Safety fund reserve *RMB'000* *(note 34(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2017	3,058,060	2,654,601	4,860,257	(254,570)	–	30,961	(533,123)	7,710	32,820	4,037,358	13,894,074	390,639	14,284,713
Effect of adoption of HKFRS 9 *(note 2.2)*	–	–	–	–	97,269	(30,961)	–	–	–	–	66,308	2,247	68,555
At 1 January 2018 (restated)	3,058,060	2,654,601	4,860,257	(254,570)	97,269	–	(533,123)	7,710	32,820	4,037,358	13,960,382	392,886	14,353,268
Profit for the year	–	–	–	–	–	–	–	–	–	849,638	849,638	52,188	901,826
Other comprehensive income for the year:													
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(12,608)	–	–	–	–	–	(12,608)	(27)	(12,635)
Total comprehensive income for the year	–	–	–	–	(12,608)	–	–	–	–	849,638	837,030	52,161	889,191
Transfer from/(to) reserves	–	–	50,646	–	–	–	–	–	–	(50,646)	–	–	–
Establishment for safety fund surplus reserve	–	–	–	–	–	–	–	3,580	–	(3,580)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	–	–	–	(3,144)	–	3,144	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(52,254)	(52,254)
Final 2017 dividend paid	–	–	–	–	–	–	–	–	–	(305,806)	(305,806)	–	(305,806)
At 31 December 2018	3,058,060	2,654,601*	4,910,903*	(254,570)*	84,661*	–*	(533,123)*	8,146*	32,820*	4,530,108*	14,491,606	392,793	14,884,399

* These reserve accounts comprise the consolidated reserves of RMB11,433,546,000 (2017: RMB10,836,014,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,205,912**	1,310,527
Adjustments for:			
Finance costs	6	**777,174**	801,146
Share of profits and losses of joint ventures and associates		**(54,279)**	(46,779)
Depreciation	12	**70,276**	80,262
Amortisation of service concession arrangements	13	**757,273**	716,022
Amortisation of prepaid land lease payments	14	**32,543**	32,885
Amortisation of other intangible assets	15	**333**	499
Impairment of properties held for sale	24	**70,154**	–
Reversal of bad debt provision	5	**(11,131)**	(1,268)
Gain on disposal of subsidiaries	5	**–**	(152,285)
Loss on disposal and write-off of items of property, plant and equipment	7	**3,961**	2,227
Interest income	5	**(149,651)**	(46,405)
Dividend income from available-for-sale investments	5	**–**	(5,638)
Dividend income from equity investments at fair value through other comprehensive income	5	**(6,025)**	–
		2,696,540	2,691,193
Additions to service concession arrangements		**(688,171)**	(722,818)
Additions to properties under development		**(148,119)**	(122,224)
Decrease in completed properties held for sale		**88,843**	297,190
Additions to interests in land held for property development		**–**	(882)
Increase in loan to customers		**(307,977)**	(97,332)
Increase/(decrease) in deferred income		**26,253**	(1,780)
Increase in construction contracts		**–**	(304,415)
Increase in contract assets and contract costs		**(467,281)**	–
Decrease/(increase) in trade and other receivables		**443,557**	(1,131,574)
Decrease/(increase) in inventories		**11,124**	(15,726)
Increase in amounts due to customers for contract works		**–**	35,969
Increase in contract liabilities		**403,865**	–
Increase/(decrease) in trade and other payables		**52,262**	(50,480)
Cash from operations		**2,110,896**	577,121
Interest received		**145,841**	12,097
Income tax paid		**(317,258)**	(301,978)
Net cash flows from operating activities		**1,939,479**	287,240

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(90,071)**	(60,046)
Investment in a joint venture		**(510,000)**	(10,000)
Proceeds from disposal of items of property, plant and equipment		**5,308**	192
Interest received		**46,465**	38,179
Dividend received from a former subsidiary		**–**	142,800
Dividend received from an associate		**14,645**	21,243
Dividend received from available-for-sale investments		**–**	5,638
Dividend received from equity investments at fair value through other comprehensive income		**6,025**	–
Investment in equity investments at fair value through other comprehensive income		**(75,000)**	–
Disposal of subsidiaries		**–**	(222,206)
Decrease/(increase) in pledged deposits		**65,636**	(13,629)
Net cash flows used in investing activities		**(536,992)**	(97,829)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(828,291)**	(822,874)
Proceeds from bank loans		**3,400,442**	1,817,900
Repayment of bank loans		**(2,088,896)**	(1,477,382)
Repayment of medium term notes		**(600,000)**	(700,000)
Dividends paid to owners of the Company		**(295,321)**	(336,387)
Dividends paid to non-controlling shareholders		**(52,254)**	(46,859)
Capital injection by non-controlling shareholders		**–**	202,366
Net cash flows used in financing activities		**(464,320)**	(1,363,236)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**938,167**	(1,173,825)
Cash and cash equivalents at beginning of year		**2,719,253**	3,893,078
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,657,420**	2,719,253
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,604,420**	2,654,253
Non-pledged time deposits		**53,000**	65,000
Cash and cash equivalents as stated in the consolidated statement of financial position	29	**3,657,420**	2,719,253

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, Sichuan Expressway Company Limited and its subsidiaries (the "Group") were 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 Transportation Investment Group Corporation Limited ("STIG") is the parent and the ultimate holding company of the Company, which is established in the PRC.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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 Shuxia Industrial Company Limited ("Shuxia")	30,000	100	–	Provision of ancillary services and property development
Sichuan Shunan Investment Management Company Limited	200,000	100	–	Construction project management and construction of roads

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
	RMB'000			
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
Chengyu Logistics Company Limited	50,000	–	100	Logistics service
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
Ziyang Shunan Chengxing Project Construction & Management Company Limited	157,600	–	94.99	Construction project management

Except for Chengyu Financial Lease, which is established as a foreign investment enterprise in the PRC, and CSI SCE, which is incorporated in Hong Kong, the subsidiaries are established in the PRC as domestic enterprises under 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 (collectively referred to as the "Group") for the year ended 31 December 2018. 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and the amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. 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 disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/ (decrease)** *RMB'000*
Assets		
Trade and other receivables	(i)	(789,195)
Contract assets	(i)	789,195
Total assets		–
Liabilities		
Trade and other payables	(ii)	(118,270)
Due to customers for contract works	(ii)	(35,969)
Contract liabilities	(ii)	154,239
Total liabilities		–

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	HKFRS 15 *RMB'000*	Previous HKFRS *RMB'000*	Increase/ (decrease) *RMB'000*
Trade and other receivables	(i)	1,546,562	1,998,931	(452,369)
Contract assets	(i)	452,369	–	452,369
Total assets		1,998,931	1,998,931	–
Trade and other payables	(ii)	2,992,460	3,372,008	(379,548)
Due to customers for contract works	(ii)	–	24,317	(24,317)
Contract liabilities	(ii)	403,865	–	403,865
Total liabilities		3,396,325	3,396,325	–
Net assets		14,884,399	14,884,399	–

(i) Construction services

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB731,763,000 from trade and other receivables to contract assets as at 1 January 2018.

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB57,432,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade receivables of RMB452,369,000 and an increase in contract assets of RMB452,369,000.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities. Therefore, upon adoption of HKFRS 15, the Group reclassified RMB118,270,000 from trade and other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

Before the adoption of HKFRS 15, the Group recognised engineering construction and engineering settlement as due to customers for construction works. Under HKFRS 15, the amount is classified as contract liabilities. Accordingly, the Group reclassified RMB35,969,000 from due to customer for construction works to contract liabilities as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB379,548,000 and RMB24,317,000 were reclassified from other payables and due to customer for construction works, respectively, to contract liabilities in relation to the consideration received from customers in advance for the sale of property and the provision of construction and management services.

HKFRS 9 *Financial Instruments*

HKFRS 9 Financial Instruments replaces HKAS 39 *Financial instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement					HKFRS 9 measurement	
	Notes	Category	Amount *RMB'000*	Re-classification *RMB'000*	ECL *RMB'000*	Others *RMB'000*	Amount *RMB'000*	Category
Financial assets								
Trade receivables		L&R[1]	1,611,678	–	–	–	1,611,678	AC[2]
Financial assets included in prepayments, deposits and other receivables	(i)	L&R	395,991	–	–	–	395,991	AC
Loan to customers		L&R	1,021,817	–	–	–	1,021,817	AC
Equity investments designated at fair value through other comprehensive income	(ii)	N/A	–	183,593	–	80,653	264,246	FVOCI[4] (equity)
From: Available-for-sale investments	(ii)			183,593	–	–		
Available-for-sale investments	(ii)	AFS[3]	183,593	(183,593)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(ii)			(183,593)	–	–		
Pledged deposits		L&R	81,894	–	–	–	81,894	AC
Cash and cash equivalents		L&R	2,719,253	–	–	–	2,719,253	AC
			6,014,226	–	–	80,653	6,094,879	
Other assets								
Contract assets	(i)		789,195	–	–	–	789,195	AC
Deferred tax assets			7,251	–	–	–	7,251	
Total assets			34,265,735	–	–	80,653	34,346,388	
Financial liabilities								
Trade payables		AC	165,441	–	–	–	165,441	AC
Other payables and accruals		AC	2,393,618	–	–	–	2,393,618	AC
Dividend payables		AC	4,399	–	–	–	4,399	AC
Interest-bearing bank and other loans		AC	16,845,647	–	–	–	16,845,647	AC
			19,409,105	–	–	–	19,409,105	
Other liabilities								
Deferred tax liabilities			6,036	–	–	12,098	18,134	
Total liabilities			19,981,022	–	–	12,098	19,993,120	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost
3 AFS: Available-for-sale investments
4 FVOCI: Financial assets at fair value through other comprehensive income

Notes:

(i) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in the below paragraph headed "HKFRS 15 Revenue from Contracts with Customers" in note 2.2 to the financial statements.

(ii) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 27 and 28 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments under HKAS 39	–	–	–
Trade receivables	–	–	–
Contract assets	–	–	–
Financial assets included in prepayments, other receivables and other assets	106,722	–	106,722
	106,722	–	106,722

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

Impact on reserves

The impact of transition to HKFRS 9 on reserves is as follows:

	Reserves
	RMB'000
Fair value reserve under HKFRS 9 (available-for-sale investment valuation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	30,961
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under HKAS 39	80,653
Recognition of reserves attributable to the non-controlling interests	(2,247)
Deferred tax in relation to the above	(12,098)
Balance as at 1 January 2018 under HKFRS 9	97,269

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
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 described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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)-Int15 *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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB158,948,000 and lease liabilities of RMB156,795,000 will be recognised at 1 January 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, properties under development, completed properties held for sale 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 2018 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 receivable. 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 (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (Continued)

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 valuation 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 valuation 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 (applicable before 1 January 2018)" below.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

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 (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) (Continued)

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and loan to customers, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, 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 and payables, 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.

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

Properties under development

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

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

Completed properties held for sale

Completed properties held for sale are stated of the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties based on the prevailing market condition.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 or deducted from the carrying amount of asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Provision of road operation services

Revenue from the provision of road operation services is recognised at the point of time when the relevant services have been provided and the Group received the payment or the right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 January 2018) (Continued)

Revenue from contracts with customers (Continued)

(b) *Sale of property*

Revenue from the sale of property is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the property.

(c) *Sale of industrial products*

Revenue from the sale of industrial products is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the property.

(d) *Construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected values method to estimate the amount of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(e) *Provision of the construction and upgrade services under service concession arrangements*

Revenue from the construction and upgrade services provided under the service concession arrangements is recognised over time, using the input method, as further explained in the accounting policy for "Construction and upgrade services under service concession arrangements" below;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from 1 January 2018) (Continued)

Revenue from other sources

(a) Rental income is recognised on a time proportion basis over the lease terms; and

(b) 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.

Other Income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

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, using the percentage of completion method, as further explained in the accounting policy for "Construction and upgrade services under service concession arrangements (applicable before 1 January 2018)" below;

(c) revenue from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" below;

(d) rental income, on a time proportion basis over the lease terms;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before 1 January 2018) (Continued)

(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, the cost incurred or to be incurred in respect of the transaction can be measured reliably; and

(h) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Construction and upgrade services under service concession arrangements (applicable before 1 January 2018)

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 obtain 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction and upgrade services under service concession arrangements (applicable from 1 January 2018)

The Group recognises income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with HKFRS 15 *Revenue from Contracts with Customers*.

Revenue generated from 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 obtain an intangible asset.

The Group uses the input 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.

Construction contracts (applicable before 1 January 2018)

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

Revenue from fixed price construction contracts is recognised 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 19% 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

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 significant 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) Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 27 and note 28 to the financial statements, respectively.

(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. The 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 assets

Before 1 January 2018, the Group classified certain assets as available for sale and recognised movements in their fair values in equity. When the fair value declined, management made assumption about the decline in value to determine whether there was 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 HKFRS 15 *Revenue from Contracts with Customers*. The Group recognises construction revenue under service concession arrangements and construction contracts according to the input 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.

(e) Amortisation of service concession arrangements

Amortisation 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(f) Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 40 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2018 was RMB262,369,000 (2017: not applicable). Further details are included in note 18 to the financial statements.

(g) 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.

(h) Provision for maintenance and resurfacing obligations

The Group has contractual obligations under certain 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 maintenance 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 2018 (2017: Nil).

(i) Net realisable value of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(i) Net realisable value of properties under development and completed properties held for sale (Continued)

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which the estimate is changed will be adjusted accordingly. There was no provision for net realisable value at 31 December 2018 (2017: Nil)

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and products and has 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 sale of products segment comprises the operation of gas stations along expressways, sale 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 senior management of the company 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 equity investments designated at fair value through other comprehensive income 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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	Toll operation RMB'000	Construction contracts RMB'000	Sale of products RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
SEGMENT REVENUE *(note 5)*	3,567,976	1,064,118	1,907,383	105,743	175,777	6,820,997
SEGMENT RESULTS	1,093,107	117,367	118,325	(74,761)	78,969	1,333,007
Reconciliation:						
Unallocated income and gains						115,479
Corporate and other unallocated expenses						(242,574)
Profit before tax						1,205,912
SEGMENT ASSETS	26,477,944	1,819,222	172,566	2,024,648	1,541,137	32,035,517
Reconciliation:						
Equity investments at fair value through other comprehensive income						324,137
Deferred tax assets						1,726
Pledged deposits						16,258
Cash and cash equivalents						3,657,420
Total assets						36,035,058
SEGMENT LIABILITIES	18,066,939	1,411,131	24,700	740,931	819,980	21,063,681
Reconciliation:						
Tax payable						65,919
Dividend payables						14,884
Deferred tax liabilities						6,175
Total liabilities						21,150,659
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	17,036	–	–	–	13,613	30,649
Share of profits and losses of joint ventures	23,453	–	–	–	177	23,630
Interest expenses	700,804	42,183	–	10,891	23,296	777,174
Depreciation and amortisation	840,018	1,497	14,013	965	3,932	860,425
Investments in associates	76,295	–	–	–	158,550	234,845
Investments in joint ventures	763,104	–	–	–	2,052	765,156
Capital expenditure*	784,288	1,577	7,662	252	6,140	799,919

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

	Toll operation *RMB'000*	Construction contracts *RMB'000*	Sale of products *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE	3,212,683	2,536,655	2,616,916	344,052	154,064	8,864,370
SEGMENT RESULTS	883,981	201,152	125,341	24,404	73,554	1,308,432
Reconciliation:						
Interest income on bank deposits						33,472
Gain on disposal of subsidiaries						152,285
Dividend income and unallocated income and gains						64,173
Corporate and other unallocated expenses						(247,835)
Profit before tax						1,310,527
SEGMENT ASSETS	26,137,053	1,693,150	230,404	2,001,732	1,211,405	31,273,744
Reconciliation:						
Available-for-sale investments						183,593
Deferred tax assets						7,251
Pledged deposits						81,894
Cash and cash equivalents						2,719,253
Total assets						34,265,735
SEGMENT LIABILITIES	17,901,303	1,119,164	23,434	350,493	501,062	19,895,456
Reconciliation:						
Tax payable						75,131
Dividend payables						4,399
Deferred tax liabilities						6,036
Total liabilities						19,981,022
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	18,070	–	–	–	19,209	37,279
Share of profits and losses of joint ventures	9,424	–	–	–	76	9,500
Interest expenses	734,532	37,432	–	11,156	18,026	801,146
Depreciation and amortisation	803,952	8,641	11,387	1,720	3,968	829,668
Investments in associates	73,904	–	–	–	144,937	218,841
Investments in joint ventures	229,651	–	–	–	1,875	231,526
Capital expenditure*	762,061	13,155	11,869	94	1,225	788,404

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 2018, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers	**6,705,858**	
Toll income		
– Chengyu Expressway	**826,831**	790,013
– Chengya Expressway	**913,355**	844,647
– Chengle Expressway	**561,958**	478,305
– Chengren Expressway	**864,868**	763,074
– Chengbei Exit Expressway and Qinglongchang Bridge	**115,806**	109,558
– Suiguang-Suixi Expressways	**285,158**	227,086
Sub-total	**3,567,976**	3,212,683
Construction contracts	**1,064,118**	2,536,655
Revenue from sale of products	**1,907,383**	2,616,916
Property development	**105,743**	344,052
Others	**60,638**	53,677
Revenue from other sources		
Finance leasing	**87,505**	66,485
Other rental income	**27,634**	33,902
	6,820,997	8,864,370

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments

	Toll operation *RMB'000*	Construction contracts *RMB'000*	Sale of products *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services						
Toll income	3,567,976	–	–	–	–	3,567,976
Construction contracts	–	1,064,118	–	–	–	1,064,118
Sale of products	–	–	1,907,383	–	–	1,907,383
Property development	–	–	–	105,743	–	105,743
Others	–	–	–	–	60,638	60,638
Total revenue from contracts with customers	3,567,976	1,064,118	1,907,383	105,743	60,638	6,705,858
Geographical markets						
All revenues under HKFRS 15 are generated in Mainland China.						
Timing of revenue recognition						
Goods transferred at a point in time	3,567,976	–	1,907,383	105,743	60,638	5,641,740
Services transferred over time	–	1,064,118	–	–	–	1,064,118
Total revenue from contracts with customers	3,567,976	1,064,118	1,907,383	105,743	60,638	6,705,858

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property development	105,743

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Toll income

The performance obligation is satisfied when the relevant services have been provided upon the completion of passing through the expressway.

Sale of products

The performance obligation is satisfied upon delivery of products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Property development

The performance obligation is satisfied at a point in time when the purchaser obtains control of the assets. Prepayments are usually received in advance of the performance under the contracts which are mainly from property development and sales.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	343,081
More than one year	374,467
	717,548

The remaining performance obligations expected to be recognised in more than one year relate to property development that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2018 *RMB'000*	2017 *RMB'000*
Other income and gains		
Interest income from bank deposits	**25,975**	33,472
Interest income from discounting long-term compensation receivables *(note 20)*	**6,101**	6,854
Interest income arising from revenue contracts	**117,575**	6,079
Rental income	**6,043**	3,062
Government grants*	**17,540**	11,858
Dividend income from equity investments at fair value through other comprehensive income	**6,025**	–
Dividend income from available-for-sale investments	**–**	5,638
Compensation income	**40,461**	18,931
Reversal of bad debt provision	**11,131**	1,268
Compensation received for breach of contracts	**–**	14,987
Gain on disposal of subsidiaries	**–**	152,285
Miscellaneous	**8,303**	8,411
	239,154	262,845
Total revenue, other income and gains	**7,060,151**	9,127,215

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Interest on bank and other loans	**720,751**	666,998
Interest on medium term notes	**105,779**	161,638
	826,530	828,636
Less:		
Interest capitalised in respect of:		
– Service concession arrangements *(note 13(c))*	**(21,677)**	(5,540)
– Properties under development *(note 24)*	**(3,739)**	–
Interest recorded under cost of sales and other operating costs	**(23,940)**	(21,950)
	777,174	801,146
Interest rate of borrowing costs capitalised	**4.75%**	3.92%–4.35%

7. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration *(note 8)*):			
Wages and salaries		**472,732**	396,085
Pension scheme contributions			
– Defined contribution fund		**67,806**	65,487
Housing fund			
– Defined contribution fund		**41,373**	40,229
Supplementary pension scheme			
– Defined contribution fund		**16,328**	12,649
Other staff benefits		**101,827**	111,559
Employee benefit expense*		**700,066**	626,009
Depreciation*	12	**70,276**	80,262
Amortisation of service concession arrangements	13	**757,273**	716,022
Amortisation of prepaid land lease payments	14	**32,543**	32,885
Amortisation of other intangible assets	15	**333**	499
Depreciation and amortisation expenses		**860,425**	829,668
Construction costs in respect of:			
– Service concession arrangements*		**688,171**	715,295
– Construction works performed for other parties*		**333,794**	1,574,727
Construction costs		**1,021,965**	2,290,022
Cost of sales of refined oil and petrochemical products		**1,728,815**	2,440,653
Cost of properties sold		**88,843**	297,190
Cost of finance lease operation		**23,940**	21,950
Repairs and maintenance		**374,647**	311,163
Minimum lease payments under operating leases:			
– Land and buildings		**19,768**	22,081
Impairment of properties held for sale	24	**70,154**	–
Auditor's remuneration		**2,990**	2,890
Loss on disposal and write-off of items of property, plant and equipment		**3,961**	2,227
Reversal of provision for impairment of other receivables	28(b)	**(11,131)**	(1,268)

* During the year, employee costs of RMB24,034,000 (2017: RMB39,893,000) and depreciation and amortisation charges of RMB293,000 (2017: RMB4,621,000) were included in 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:

	2018 ***RMB'000***	2017 *RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**2,033**	1,396
Pension scheme contributions	**205**	185
Supplementary pension scheme contributions	**96**	93
	2,334	1,674
	2,654	1,994

(a) Independent non-executive directors

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

	2018 ***RMB'000***	2017 *RMB'000*
Mr. Sun Huibi	**80**	80
Mr. Guo Yuanxi	**80**	80
Mr. Yu Haizong	**80**	80
Madam Liu Lina	**80**	80
	320	320

There were no other emoluments payable to the independent non-executive directors during the year (2017: 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*
2018				
Executive directors:				
Mr. Zhou Liming	–	–	–	–
Mr. Gan Yongyi*	473	41	23	537
Mr. Luo Maoquan	378	41	19	438
	851	82	42	975
Non-executive directors:				
Mr. Tang Yong	–	–	–	–
Mr. Huang Bin	–	–	–	–
Mr. Wang Shuanming	–	–	–	–
Mr. Zheng Haijun	–	–	–	–
Mr. Ni Shilin	–	–	–	–
	–	–	–	–
	851	82	42	975

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*
2017				
Executive directors:				
Mr. Zhou Liming	–	–	–	–
Mr. Gan Yongyi*	312	37	22	371
Mr. Luo Maoquan	260	37	20	317
	572	74	42	688
Non-executive directors:				
Mr. Zheng Haijun	–	–	–	–
Mr. Tang Yong	–	–	–	–
Mr. Huang Bin	–	–	–	–
Mr. Wang Shuanming	–	–	–	–
Mr. Ni Shilin	–	–	–	–
	–	–	–	–
	572	74	42	688

* 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 (2017: 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*
2018				
Mr. Feng Bing	**473**	**41**	**23**	**537**
Mr. Ouyang Huajie	**–**	**–**	**–**	**–**
Mr. Hu Yaosheng	**331**	**41**	**12**	**384**
Mr. Lin Binhai	**378**	**41**	**19**	**438**
Mr. Meng Jie	**–**	**–**	**–**	**–**
	1,182	**123**	**54**	**1,359**

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2017				
Mr. Feng Bing	312	37	21	370
Mr. Ouyang Huajie	–	–	–	–
Mr. Hu Yaosheng	252	37	12	301
Mr. Lin Binhai	260	37	18	315
Mr. Meng Jie	–	–	–	–
	824	111	51	986

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year (2017: 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 two directors (2017: one) and two supervisors (2017: two), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2017: two) highest paid employee who is not a director, chief executive, or supervisor of the Company are as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**378**	589
Pension scheme contributions	**59**	55
	437	644

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.

In addition to the amounts disclosed above, one executive director (2017: one), five non-executive directors (2017: five) and two supervisors (2017: two) did not receive any remuneration from the Company in 2018. They are respectively the senior executives and directors of STIG, Sichuan Expressway Construction and Development Group Company Limited ("Sichuan Expressway Construction and Development"), which is also controlled by STIG, 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 2018 and 2017.

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

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 shall be issued separately. The Catalogue 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, Chengbei Company and Chengdu Airport Expressway Company Limited ("Chengdu Airport Expressway"), 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 2018 continued to be calculated at a tax rate of 15%.

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

	2018 ***RMB'000***	2017 *RMB'000*
Current – Mainland China		
Charge for the year	**307,899**	326,240
Underprovision in prior years	**147**	787
Deferred *(note 22)*	**(3,960)**	2,346
Total tax charge for the year	**304,086**	329,373

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:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**1,205,912**	1,310,527
Tax at the applicable tax rates of:		
25%	**(88,054)**	(49,800)
15%	**234,919**	226,480
Sub-total	**146,865**	176,680
Income not subject to tax	**(904)**	(1,634)
Reversal of bad debts provision	**1,703**	–
Expenses not deductible for tax	**1,303**	1,035
Underprovision in prior years	**147**	787
Profit attributable to associates and joint ventures	**(6,123)**	(7,534)
Benefit of tax losses not recognised *(note 22)*	**141,274**	124,135
Tax arising from intra-group borrowings	**17,093**	13,647
Tax arising from disposal of subsidiaries	**–**	20,854
Others	**2,728**	1,403
Tax charge at the Group's effective tax rate	**304,086**	329,373

The share of tax attributable to associates and joint ventures amounting to RMB7,822,000 (2017: RMB9,648,000) is included in "Share of profits and losses of joint ventures and associates" on the face of the consolidated statement of profit or loss and other comprehensive income.

10. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Proposed final – RMB0.100 (2017: RMB0.100) per ordinary share	**305,806**	305,806

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 (2017: 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 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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 2018								
Cost:								
At 1 January 2018	677,089	181,035	255,954	567,432	171,398	88,065	3,070	1,944,043
Additions during the year	2,114	29	3,516	250	16,300	12,987	54,875	90,071
Disposals and write-offs	(16,009)	(15,090)	(3,504)	(2,294)	(2,347)	(14,996)	(97)	(54,337)
Transfer	5,345	8,699	6,647	–	2,612	–	(23,303)	–
At 31 December 2018	668,539	174,673	262,613	565,388	187,963	86,056	34,545	1,979,777
Accumulated depreciation:								
At 1 January 2018	637,193	150,469	166,978	269,046	111,820	57,228	–	1,392,734
Provided during the year	4,521	4,994	15,293	21,023	18,914	5,531	–	70,276
Disposals and write-offs	(15,529)	(14,302)	(3,115)	(1,114)	(2,018)	(8,990)	–	(45,068)
At 31 December 2018	626,185	141,161	179,156	288,955	128,716	53,769	–	1,417,942
Net carrying amount:								
At 1 January 2018	39,896	30,566	88,976	298,386	59,578	30,837	3,070	551,309
At 31 December 2018	42,354	33,512	83,457	276,433	59,247	32,287	34,545	561,835

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 2017								
Cost:								
At 1 January 2017	682,462	192,578	249,172	587,469	242,296	120,886	8,090	2,082,953
Additions during the year	202	321	1,476	4,166	13,083	6,489	34,309	60,046
Disposals and write-offs	(5,577)	(21,393)	(819)	–	(1,333)	(3,876)	(594)	(33,592)
Reclassified to properties under development *(note 24)*	–	–	–	(17,304)	–	–	–	(17,304)
Disposal of subsidiaries	–	(4)	–	(10,336)	(92,694)	(35,434)	(9,592)	(148,060)
Transfer	2	9,533	6,125	3,437	10,046	–	(29,143)	–
At 31 December 2017	677,089	181,035	255,954	567,432	171,398	88,065	3,070	1,944,043
Accumulated depreciation:								
At 1 January 2017	636,742	167,121	151,461	253,122	140,439	70,766	–	1,419,651
Provided during the year	4,762	4,475	16,312	21,673	21,917	11,123	–	80,262
Disposals and write-offs	(4,311)	(21,125)	(795)	–	(1,314)	(3,628)	–	(31,173)
Disposal of subsidiaries	–	(2)	–	(5,749)	(49,222)	(21,033)	–	(76,006)
At 31 December 2017	637,193	150,469	166,978	269,046	111,820	57,228	–	1,392,734
Net carrying amount:								
At 1 January 2017	45,720	25,457	97,711	334,347	101,857	50,120	8,090	663,302
At 31 December 2017	39,896	30,566	88,976	298,386	59,578	30,837	3,070	551,309

13. SERVICE CONCESSION ARRANGEMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	**30,240,790**	29,512,432
Additions	**709,848**	807,194
Adjustment for settlement of a completed project of Chengren Expressway	**–**	(78,836)
At 31 December	**30,950,638**	30,240,790
Accumulated amortisation:		
At 1 January	**5,383,129**	4,667,107
Charged for the year	**757,273**	716,022
At 31 December	**6,140,402**	5,383,129
Net carrying amount:		
At 1 January	**24,857,661**	24,845,325
At 31 December	**24,810,236**	24,857,661

Notes:

(a) At 31 December 2018, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 32(a)):

	2018 RMB'000	2017 RMB'000
Chengle Expressway	**–**	1,662,398
Chengren Expressway	**6,816,504**	6,976,716
Suiguang-Suixi Expressways	**11,967,716**	12,223,497
	18,784,220	20,862,611

(b) During the year, the Group was in the construction of the expansion project of Chengle Expressway. Total cost of RMB709,848,000 (2017: RMB807,194,000) including construction costs of RMB688,171,000 and borrowing costs of RMB21,677,000 were incurred, among which RMB688,171,000 (2017: RMB807,194,000) was sub-contracted to third party subcontractors.

In addition, construction revenue of RMB688,171,000 (2017: RMB807,194,000) was mainly recognised in respect of the construction service provided by the Group for the expansion project of Chengle Expressway using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the expansion projects and commencement of operation.

(c) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB21,677,000 (2017: RMB5,540,000) (note 6).

14. PREPAID LAND LEASE PAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Carrying amount at 1 January	**362,916**	396,040
Recognised during the year	**(32,543)**	(32,885)
Carrying amount at 31 December	**330,373**	363,155
Disposal of subsidiaries	**–**	(239)
Portion classified as current assets *(note 28(d))*	**(32,394)**	(32,394)
Non-current portion	**297,979**	330,522

15. OTHER INTANGIBLE ASSETS

	Licence	
	2018	2017
	RMB'000	*RMB'000*
Cost		
At 1 January and 31 December	**2,495**	2,495
Accumulated amortisation		
At 1 January	**2,162**	1,663
Provided for the year	**333**	499
At 31 December	**2,495**	2,162
Net carrying amount		
At 1 January	**333**	832
At 31 December	**–**	333

16. INVESTMENTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	**765,156**	231,526

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% (indirect)	Asset management
Sichuan Chengyu Development Equity Investment Fund Center	49% (direct)	Asset management
Chengdu Chengyujianxin Equity Investment Fund Management Company Limited	50% (direct)	Asset management
Sichuan Tianyi United Investment and Development Company Limited	51% (direct)	Project investment

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

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year	**23,630**	9,500
Share of the joint ventures' other comprehensive income	**–**	–
Share of the joint ventures' total comprehensive income	**23,630**	9,500
Investment during the year	**510,000**	–
Aggregate carrying amount of the Group's investments in the joint ventures	**765,156**	231,526

Investments in joint ventures are measured using the equity method.

17. INVESTMENTS IN ASSOCIATES

	2018 ***RMB'000***	2017 *RMB'000*
Share of net assets	**244,008**	228,004
Provision for impairment	**(9,163)**	(9,163)
	234,845	218,841

Particulars of the material 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	25%	Operation of Chengdu Airport Expressway
Sichuan Renshou Rural Commercial Bank Co., Ltd. ("Renshou Bank")	9.997%	Banking operations

The Group's shareholdings in Chengdu Airport Expressway are held by the Company, and the shareholdings in Renshou Bank are indirectly held by the Company.

Investments in associates are accounted for using the equity method.

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:

	2018	2017
	RMB'000	*RMB'000*
Current assets	**18,352,349**	18,385,217
Non-current assets	**5,124,139**	2,690,842
Current liabilities	**(21,935,016)**	(19,670,767)
Non-current liabilities	**–**	–
Net assets	**1,541,472**	1,405,292
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**9.997%**	9.997%
Group's share of net assets of the associate	**154,101**	140,488
Carrying amount of the investment	**154,101**	140,488

	2018	2017
	RMB'000	*RMB'000*
Revenue	**803,212**	760,008
Profit for the year	**136,170**	192,138
Other comprehensive income	**–**	–
Total comprehensive income	**136,170**	192,138
Dividend received	**–**	–

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

	2018	2017
	RMB'000	*RMB'000*
Share of the associates' profit or loss for the year	**2,391**	18,070
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**2,391**	18,070
Aggregate carrying amount of the Group's investments in the associates	**80,744**	78,353

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investment, at fair value	**61,768**	–
Unlisted equity investments, at fair value	**262,369**	–
	324,137	–

	2018 RMB'000	2017 RMB'000
Available-for-sale investments		
Listed equity investment, at fair value	**–**	67,611
Unlisted equity investments, at cost	**–**	115,982
	–	183,593

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB1,903,000, and there was no other comprehensive income or loss being reclassified to profit or loss for the year ended 31 December 2017.

19. LOAN TO CUSTOMERS

The Group's loan to customers represents 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 the leased assets by the respective lessee 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 2018

	Net lease receivables *RMB'000*	**Unearned finance income** *RMB'000*	**Total gross lease receivables** *RMB'000*
Amounts receivable:			
– Within one year	**627,152**	**59,882**	**687,034**
– In the second year	**394,355**	**30,253**	**424,608**
– In the third to fifth years, inclusive	**308,287**	**18,812**	**327,099**
Total	**1,329,794**	**108,947**	**1,438,741**
Portion classified as current assets	**(627,152)**		
Non-current portion	**702,642**		

31 December 2017

	Net lease receivables *RMB'000*	Unearned finance income *RMB'000*	Total gross lease receivables *RMB'000*
Amounts receivable:			
– Within one year	416,624	49,103	465,727
– In the second year	312,520	27,819	340,339
– In the third to fifth years, inclusive	292,673	18,467	311,140
Total	1,021,817	95,389	1,117,206
Portion classified as current assets	(416,624)		
Non-current portion	605,193		

At 31 December 2018, the Group has pledged lease receivables of RMB253,123,000 (2017: Nil) to secure bank loans granted to the Group (note 32 (a)). The loan to customers was secured by the collateral provided by the lessees including specific equipment or assets.

Further information about the amounts arising from expected credit losses are included in note 28 (a) to the financial statement.

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, has 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.

The compensation can be analysed as follows:

	2018			2017		
	Compensation	**Imputed interest**	**Net present value**	Compensation	Imputed interest	Net present value
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Receivables:						
Within one year	**13,000**	**5,558**	**7,442**	13,000	6,468	6,532
In the second to fifth years, inclusive	**42,802**	**10,314**	**32,488**	52,000	15,421	36,579
Beyond five years	**–**	**–**	**–**	3,802	451	3,351
	55,802	**15,872**	**39,930**	68,802	22,340	46,462
Portion classified as current assets *(note 28 (b))*			**(7,442)**			(6,532)
Non-current portion			**32,488**			39,930

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

	2018	2017
	RMB'000	*RMB'000*
In respect of:		
Purchase of land use rights	**2,000**	2,000

22. DEFERRED TAX

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

Deferred tax assets

	Deferred income	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	12,789	866	13,655
Deferred tax charged to profit or loss during the year *(note 9)*	(2,458)	(267)	(2,725)
At 31 December 2017 and 1 January 2018	10,331	599	10,930
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	3,789	(234)	3,555
At 31 December 2018	**14,120**	**365**	**14,485**

The Group has tax losses arising in Mainland China of RMB1,349,934,000 (2017: RMB886,544,000) 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.

22. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustment arising from equity investments at fair value through other comprehensive income *RMB'000*	**Accelerated amortisation for tax purposes** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	6,618	3,042	9,660
Deferred tax credited to profit or loss during the year *(note 9)*	–	(379)	(379)
Deferred tax charged to reserves during the year	434	–	434
At 31 December 2017	7,052	2,663	9,715
Fair value adjustments of equity investments at fair through other comprehensive income	12,098	–	12,098
At 1 January 2018 (restated)	19,150	2,663	21,813
Deferred tax credited to profit or loss during the year *(note 9)*	–	(405)	(405)
Deferred tax credited to reserves during the year	(2,474)	–	(2,474)
At 31 December 2018	**16,676**	**2,258**	**18,934**

22. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (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:

	2018	2017
	RMB'000	*RMB'000*
Gross deferred tax assets	**14,485**	10,930
Gross deferred tax liabilities	**(12,759)**	(3,679)
Net deferred tax assets	**1,726**	7,251
Gross deferred tax assets	**18,934**	–
Gross deferred tax liabilities	**(12,759)**	6,036
Net deferred tax liabilities	**6,175**	6,036

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. WHT for dividends paid to 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 2017 which were paid to foreign shareholders before 31 December 2018.

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 2018, the legal titles of the land use rights with a carrying amount of approximately RMB156,303,000 (2017: RMB156,303,000) 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 COMPLETED PROPERTIES HELD FOR SALE

	2018	2017
	RMB'000	*RMB'000*
Properties under development		
Land costs	**1,381,132**	1,381,132
Development costs	**239,296**	87,438
	1,620,428	1,468,570
Carrying amount at 1 January	**1,468,570**	1,553,096
Additions	**151,858**	122,224
Reclassified from property, plant and equipment *(note 12)*	**–**	17,304
Transfer to completed properties held for sale	**–**	(224,054)
Carrying amount at 31 December	**1,620,428**	1,468,570

	2018	2017
	RMB'000	*RMB'000*
Completed properties held for sale		
Land costs	**52,500**	74,141
Development costs	**123,502**	260,858
	176,002	334,999
Carrying amount at 1 January	**334,999**	408,135
Transfer from properties under development	**–**	224,054
Impairment	**(70,154)**	–
Transfer to cost of properties sold	**(88,843)**	(297,190)
Carrying amount at 31 December	**176,002**	334,999

The Group's properties under development and completed properties held for sale are situated on leasehold land in Mainland China. As at 31 December 2018, properties under development were expected to be completed or realised within the normal operating cycle. Land use right of properties under development of RMB360,500,000 (31 December 2017: nil) was pledged to secure bank loan granted by Bank of Chengdu (note 32 (a)). Interest capitalised as part of properties under development by the Group during the year was RMB3,739,000 (2017: Nil) (note 6).

25. INVENTORIES

	2018 *RMB'000*	2017 *RMB'000*
Refined oil products	**24,227**	34,744
Spare parts and construction materials	**1,536**	2,143
	25,763	36,887

26. CONSTRUCTION CONTRACTS IN PROGRESS

	2018 *RMB'000*	2017 *RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	**–**	109,227
Less: Progress billings	**–**	(145,196)
Construction contracts in progress	**–**	(35,969)
Representing:		
Amount due from customers for contract works	**–**	–
Amount due to customers for contract works	**–**	(35,969)
Retentions held by customers for contract works in the Group's trade and other receivables	**–**	–
Advances received from customers for contract works in the Group's trade and other payables	**–**	–

27. CONTRACT ASSETS

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*	31 December 2017 *RMB'000*
Contract assets arising from construction services	**452,369**	789,195	–
Impairment	**–**	–	–
	452,369	789,195	–

27. CONTRACT ASSETS (CONTINUED)

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract assets in 2018 was the result of the completion and settlement of construction services at the end of the year.

There was no allowance for expected credit losses on contract assets recognised as at 31 December 2018. The Group's trading terms and credit policy with customers are disclosed in note 28 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	2018 ***RMB'000***
Within one year	**123,099**
More than one year	**329,270**
Total contract assets	**452,369**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As the Group's contract assets will be recovered from government agencies, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these receivables. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis. No expected credit losses were provided as the directors consider that the expected credit risks of these receivables are minimal.

28. TRADE AND OTHER RECEIVABLES

	Notes	2018 RMB'000	2017 RMB'000
Trade receivables			
Trade receivables		**1,285,645**	1,611,678
Impairment		**–**	–
Trade receivables, net	(a)	**1,285,645**	1,611,678
Other receivables			
Deposit and other receivables	(b)	**297,185**	418,460
Impairment	(c)	**(95,591)**	(106,722)
		201,594	311,738
Prepayments	(d)	**59,323**	90,785
Other receivables, net		**260,917**	402,523
Total trade and other receivables		**1,546,562**	2,014,201

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 RMB1,175,833,000 as at 31 December 2018 (2017: RMB1,375,622,000) 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 4.75% to 14.98% (2017: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or billing date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	**76,956**	285,048
3 to 6 months	**15,711**	113,483
6 to 12 months	**146,202**	279,915
Over one year	**1,046,776**	933,232
	1,285,645	1,611,678

28. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) (Continued)

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

As at 31 December 2018, the Group's major receivables and loan to customers are from government agencies, state-owned enterprises and a number of diversified customers, in view of the history of business dealings with the debtors and the sound collection history of the receivables and loan to customers due from them, the Group believes that there is no significant credit risk with these receivables and loan to customers. Management keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis based on historical payment records, the length of the overdue period, background and reputation of the debtors, the financial strength of the debtors and whether there are any disputes with the debtors. No expected credit losses were provided as the directors consider that the expected credit risks of these receivables and loan to customers are minimal.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	1,611,678

Receivables that were neither past due nor impaired related 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 under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

(b) The Group's deposits and other receivables at 31 December 2018 are analysed as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Interest receivables on temporary advances and construction revenue	**3,269**	31,535
Long-term compensation receivables to be received within one year *(note 20)*	**7,442**	6,532
Toll income receivables	**31,841**	131,878
Interest income from pledged deposits, current portion	**–**	14,389
Deductible input value added tax	**59,281**	28,779
Deposits	**59,838**	57,506
Miscellaneous	**135,514**	147,841
	297,185	418,460
Impairment allowance	**95,591**	106,722
	201,594	311,738

28. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(b) (Continued)

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 to 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 (2017: 14.98%).

(c) The movements in the loss allowance for impairment of financial assets in prepayments, deposits and other receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**106,722**	106,722
Reversal of a provision for loss allowance *(note 5)*	**(11,131)**	–
At end of year	**95,591**	106,722

An impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining the expected credit loss for other receivables and other current assets, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Except for certain dispute other receivable which had been fully impaired, the Group have assessed and concluded that the risk of default rate for the other instruments are minimal as 31 December 2018 since counterparties to these instruments have a high credit rating.

(d) Prepayments at 31 December 2018 included prepaid land lease payments to be recognised within one year of RMB32,394,000 (2017: RMB32,394,000) (note 14).

(e) Amounts due from related parties, which are repayable on credit terms similar 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:

	2018	2017
	RMB'000	*RMB'000*
Fellow subsidiaries under common control of STIG		
– Trade receivables	**–**	1,049
– Other receivables	**1,865**	2,897
– Prepayments	**–**	5,903
	1,865	9,849

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018	2017
	RMB'000	*RMB'000*
Cash and bank balances	**3,604,420**	2,654,253
Time deposits	**69,258**	146,894
	3,673,678	2,801,147
Less: Pledged time deposits for:		
Bidding Chengren Expressway Build-Operate-Transfer Project	**–**	11,945
Construction of road projects	**16,258**	13,499
Bank loans	**–**	56,450
Total pledged time deposits	**16,258**	81,894
Cash and cash equivalents	**3,657,420**	2,719,253

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:

	2018	2017
	RMB'000	*RMB'000*
RMB	**3,673,546**	2,801,078
Hong Kong dollars	**132**	69
	3,673,678	2,801,147

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.

30. CONTRACT LIABILITIES

	31 December 2018 ***RMB'000***	1 January 2018 *RMB'000*	31 December 2017 *RMB'000*
Advances received from customers			
Construction contracts	**24,317**	35,969	–
Sales of properties	**379,548**	118,270	–
Total contract liabilities	**403,865**	154,239	–
Portion classified as current liabilities	**(29,398)**		
Non-current portion	**374,467**		

Contract liabilities include advances received to deliver properties, and to provide construction and management services.

31. TRADE AND OTHER PAYABLES

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Current portion:			
Trade payables	(a)	**215,382**	165,441
Other payables	(b)	**2,706,696**	2,668,406
Accruals	(c)	**57,034**	82,735
Deferred revenue	(d)	**13,348**	9,158
		2,992,460	2,925,740
Non-current portion:			
Deferred income	(d)	**110,163**	88,100
		3,102,623	3,013,840

31. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	2018 **RMB'000**	2017 RMB'000
Within 3 months	**164,992**	102,388
3 to 6 months	**5,212**	4,746
6 to 12 months	**12,423**	30,669
Over 1 year	**32,755**	27,638
	215,382	165,441

The trade payables are non-interest-bearing and are normally settled within one to twelve months.

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

	Notes	**2018** **RMB'000**	2017 RMB'000
Advances		**30,708**	136,821
Inter-network toll collection	(i)	**153,146**	110,167
Payroll and welfare payables		**182,197**	109,778
Taxes and surcharge payables		**39,111**	27,701
Progress billing payables	(ii)	**1,553,146**	1,505,060
Retention payables	(iii)	**378,862**	440,205
Deposits	(iii)	**168,818**	180,907
Others		**200,708**	157,767
		2,706,696	2,668,406

Notes:

(i) The balance represented the expressway tolls pending for allocation to other expressway operators.

(ii) Included in the progress billing payables was an amount of RMB1,189,360,000 (2017: RMB1,205,803,000) related to the construction of the Suiguang-Suixi Expressways BOT Project, and the upgrade project of Chengle Expressway.

(iii) Included in retention payables and deposits were amounts in aggregate of RMB296,620,000 (2017: RMB379,255,000) related to the construction of the Chengren Expressway BOT Project, Suiguang-Suixi Expressways BOT Project and the upgrade project of Chengle Expressway, which include a performance guarantee deposits of approximately RMB12,545,000 (2017: RMB12,870,000) received from subcontractors, and bear interest at a rate of 0.35% (31 December 2017: 0.35%) per annum.

(c) The balance as at 31 December 2018 consisted of interest accrued in respect of medium term notes and interest-bearing bank loans of RMB30,967,000 (2017: RMB55,250,000) and RMB26,067,000 (2017: RMB27,485,000), respectively.

31. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

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

	2018	2017
	RMB'000	*RMB'000*
Leasing income received in advance	**11,882**	12,565
Management fee received in advance for operation of a bridge	**71,276**	68,629
Various deferred compensation income received in advance	**35,930**	12,276
Miscellaneous	**4,423**	3,788
	123,511	97,258

Deferred income of the Group to be released to profit or loss after twelve months from 31 December 2018 with an amount of RMB110,163,000 (2017: RMB88,100,000) 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 are on credit terms similar to those offered to their independent major suppliers of the Group, are as follows:

	2018	2017
	RMB'000	*RMB'000*
Fellow subsidiaries under common control of STIG		
– Trade payables	**114,444**	65,497
– Other payables	**1,139,443**	1,208,430
	1,253,887	1,273,927

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.

32. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	2018 *RMB'000*	2017 *RMB'000*
Bank loans:			
Secured and guaranteed	(a)	**–**	1,106,400
Secured	(a)	**11,378,693**	11,350,747
Unsecured		**3,540,000**	1,150,000
Medium term notes	(b)	**2,500,000**	3,100,000
Other loans, unsecured	(c)	**138,500**	138,500
		17,557,193	16,845,647
Analysed into:			
Bank loans repayable:			
Within one year		**1,736,020**	1,960,050
In the second year		**2,069,832**	536,450
In the third to fifth years, inclusive		**3,121,186**	2,630,151
Beyond five years		**7,991,655**	8,480,496
		14,918,693	13,607,147
Medium term notes repayable:			
Within one year		**300,000**	600,000
In the second year		**1,200,000**	–
In the third to fifth years, inclusive		**1,000,000**	2,200,000
Beyond five years		**–**	300,000
		2,500,000	3,100,000
Other loans repayable:			
Within one year		**138,500**	–
In the second year		**–**	138,500
		138,500	138,500
Total bank and other loans		**17,557,193**	16,845,647
Portion classified as current liabilities		**(2,174,520)**	(2,560,050)
Non-current portion		**15,382,673**	14,285,597

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

32. INTEREST-BEARING BANK AND OTHER LOANS (CONTINUED)

(a) Bank loans were secured and guaranteed by:

	Notes	**2018** **RMB'000**	2017 RMB'000
		(Bank loan amount)	
Secured by concession rights of:	13(a)		
Chengle Expressway	(i)	**–**	106,400
Chengren Expressway		**2,948,398**	3,221,747
Suiguang-Suixi Expressways		**8,110,000**	8,129,000
		11,058,398	11,457,147
Secured by pledged time deposits	(ii)	**–**	1,000,000
Secured by loans to customers	19	**220,295**	–
Secured by land use rights	24	**100,000**	–
		11,378,693	12,457,147

(i) The bank loans were also guaranteed by Sichuan Expressway Construction and Development for nil consideration in 2017 (note 38(c)).

(ii) As at 31 December 2017, time deposits of RMB56,450,000 (note 29) were pledged to China Construction Bank Chengdu Xinhua Branch to counter guarantee the Group's bank loan of RMB1,000,000,000 granted by China Construction Bank.

The bank loans bear interest at the rates of 4.13% to 6.18% (2017: 4.55%) per annum.

(b) At 31 December 2018, the Company had three (2017: four) tranches of outstanding medium term notes totalling RMB2,500,000,000 (2017: RMB3,100,000,000) issued to domestic institutional investors participating in the PRC interbank debt market. The effective interest rates for the medium term notes range from 3.56% to 6.30% (2017: 3.56% to 6.30%). The medium term notes were all issued at a par value of RMB100 per unit, and will be repaid between December 2020 and July 2024, with an original maturity period of five years.

(c) Other loans as at 31 December 2018 represent the unsecured shareholder's loan of RMB138,500,000 (2017: RMB138,500,000) granted to the Group by a non-controlling shareholder (note 38(f)), bearing interest at annual interest rate of 4.28% (2017: 4.28%).

33. ISSUED CAPITAL

	2018	2017
	RMB'000	*RMB'000*
Issued and fully paid:		
A Shares of 2,162,740,000 (2017: 2,162,740,000) of RMB1.00 each	**2,162,740**	2,162,740
H Shares of 895,320,000 (2017: 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 SSE since July 2009.

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

34. 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, joint ventures and associates, the Company, its subsidiaries, joint ventures 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.

34. RESERVES (CONTINUED)

(b) Merger difference

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

(c) Safety fund reserve

Pursuant to the Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group is required to establish the 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.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans *RMB'000*	Interest payable *RMB'000*	Dividends payable *RMB'000*
At 1 January 2018	**16,845,647**	**82,735**	**4,399**
Changes from financing cash flows	**711,546**	**(828,291)**	**(347,575)**
Interest expenses	**–**	**777,174**	**–**
Interest capitalised	**–**	**25,416**	**–**
Dividends declared	**–**	**–**	**358,060**
At 31 December 2018	**17,557,193**	**57,034**	**14,884**
At 1 January 2017	17,205,129	98,923	141,599
Changes from financing cash flows	(359,482)	(822,874)	(383,246)
Interest expenses	–	801,146	–
Interest capitalised	–	5,540	–
Dividends declared	–	–	383,246
Disposal of subsidiaries	–	–	(137,200)
At 31 December 2017	16,845,647	82,735	4,399

36. 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 ***RMB'000***	2017 *RMB'000*
Within one year	**2,442**	2,442
In the second to fifth years, inclusive	**2,046**	3,725
After five years	**–**	1,984
	4,488	8,151

36. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**30,140**	25,727
In the second to fifth years, inclusive	**88,775**	84,901
After five years	**105,707**	124,076
	224,622	234,704

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following commitments at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
Contracted, but not provided for		
Service concession arrangements	**4,275,553**	1,286,630
Capital contributions payable to equity investments	**–**	585,000
	4,275,553	1,871,630

38. 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 under common control of STIG, 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 RMB14,686,000 (2017: RMB13,228,000). 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 Expressway Construction and Development for leasing out certain parts of its office buildings by Chengle Company amounted to nil (2017: RMB399,000). The directors consider that the office rental expenses paid by the Group to Sichuan Expressway Construction and Development as determined under the tenancy agreement are based on the market rate for similar premises in similar locations.

(c) At 31 December 2018, the Group's bank loans aggregating nil (2017: RMB106,400,000) were guaranteed by Sichuan Expressway Construction and Development (note 32(a)(i)) for nil consideration.

(d) During the year, the Group leased out a certain part of its office buildings to STIG for an annual rental of RMB2,442,000 (2017: RMB2,442,000). The directors consider that the office rental income received by the Group from STIG as determined under the tenancy agreement is based on the market rate for similar premises in similar locations.

(e) During the year, the Group purchased raw materials, machinery and electronic equipment for various infrastructure construction projects from subsidiaries of STIG with an aggregate amount of RMB652,000 (2017: RMB13,884,000).

(f) At 31 December 2018, 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 on interest rate of 4.75% (2017: 4.28%-4.9%). During the year, interest expenses recognised by the Group in respect of the loan provided by Trading Landmark totalled RMB6,670,000 (2017: RMB6,690,000).

(g) During the year, a fellow subsidiary under common control of STIG was engaged by the Group to provide construction and maintenance works of Suiguang-Suixi Expressways. Construction and maintenance cost recognised by the Group for such services amounted to RMB1,094,000 (2017: RMB8,979,000).

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(h) During the year, Sichuan Trading Real Estate Co., Ltd ("Sichuan Trading Real Estate"), a subsidiary under common control of STIG was engaged by the Group to provide sales agent service for the Renshou Landmark real estate project. Sales commission recognised during the year was approximately RMB14,912,000 (2017: RMB3,387,000).

(i) During the year, Renshou Landmark paid a service fee to Sichuan Trading Real Estate Co., Ltd amounting to RMB1,330,000 (2017: RMB1,388,000).

(j) During the year, a subsidiary under common control of STIG was engaged by the Group to provide construction and maintenance works. Construction and maintenance cost recognised by the Group for such services amounted to RMB670,123,000 (2017: RMB109,872,000).

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

	2018	2017
	RMB'000	*RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**2,033**	1,396
Pension scheme contributions	**205**	185
Supplementary pension scheme contributions	**96**	93
	2,334	1,674
Total compensation paid to key management personnel	**2,654**	1,994

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), (d), (e), (h) and (j) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Equity investments at fair value through other comprehensive income *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Pledged deposits	–	16,258	16,258
Long-term compensation receivable	–	39,930	39,930
Loan to customers	–	1,329,794	1,329,794
Equity investments at fair value through other comprehensive income	324,137	–	324,137
Trade receivables	–	1,285,645	1,285,645
Financial assets included in prepayments, other receivables and other assets	–	194,152	194,152
Cash and cash equivalents	–	3,657,420	3,657,420
	324,137	6,523,199	6,847,336

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Interest-bearing bank and other loans	17,557,193	17,557,193
Trade payables	215,382	215,382
Dividend payables	14,884	14,884
Financial liabilities included in other payables and accruals	2,454,680	2,454,680
	20,242,139	20,242,139

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2017

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Available-for-sale investments	–	183,593	183,593
Loan to customers	1,021,817	–	1,021,817
Long term compensation receivables	46,462	–	46,462
Trade receivables	1,611,678	–	1,611,678
Financial assets included in prepayments, deposits and other receivables	395,991	–	395,991
Pledged deposits	81,894	–	81,894
Cash and cash equivalents	2,719,253	–	2,719,253
	5,877,095	183,593	6,060,688

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	165,441
Financial liabilities included in other payables and accruals	2,393,618
Dividend payables	4,399
Interest-bearing bank and other loans	16,845,647
	19,409,105

40. 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	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Pledged deposits, non-current portion	**15,000**	1,258	**15,000**	1,258
Long term compensation receivables	**32,488**	39,930	**32,488**	39,930
Equity investments designed at fair value through other comprehensive income	**324,137**	–	**324,137**	–
Available-for-sale investments, listed equity investment	**–**	67,611	**–**	67,611
Loan to customers, non-current portion	**702,642**	605,193	**702,642**	605,193
	1,074,267	713,992	**1,074,267**	713,992
Financial liabilities				
Interest-bearing bank and other loans, non-current portion:				
– Bank loans	**13,182,673**	11,647,097	**12,461,477**	10,596,863
– Medium term notes	**2,200,000**	2,500,000	**2,105,718**	2,385,008
– Other loans	**–**	138,500	**–**	131,340
	15,382,673	14,285,597	**14,567,195**	13,113,211

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 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.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

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 investment are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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 financial assets (2017: Nil).

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Unlisted equity investments	valuation multiple	Average P/E or P/B multiple of peers	P/E:5.7–11.0 P/B:1.4	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB25,903
		Discount for lack of marketability	20%–30%	10% increase/decrease in discount would result in decrease/increase in fair value by RMB10,330,000/ RMB10,310,000.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

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 2018				
Financial assets				
Equity investments designed at fair value through other comprehensive income:				
– Listed equity investment	**61,768**	**–**	**–**	**61,768**
– Unlisted equity investments	**–**	**–**	**262,369**	**262,369**
	61,768	**–**	**262,369**	**324,137**

	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 2017				
Financial assets				
Available-for-sale investments, listed equity investment	67,611	–	–	67,611

40. 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) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
As at 31 December 2018				
Pledged deposits, non-current portion	**–**	**15,000**	**–**	**15,000**
Long term compensation receivables, non-current portion	**–**	**–**	**32,488**	**32,488**
Loan to customers, non-current portion	**–**	**–**	**702,642**	**702,642**
	–	**15,000**	**735,130**	**750,130**

	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 2017				
Pledged deposits, non-current portion	–	1,258	–	1,258
Long term compensation receivables, non-current portion	–	–	39,930	39,930
Loan to customers, non-current portion	–	–	605,193	605,193
	–	1,258	645,123	646,381

40. 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 2018				
Financial liabilities:				
Interest-bearing bank and other loans	**–**	**–**	**14,567,195**	**14,567,195**

	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 2017				
Financial liabilities:				
Interest-bearing bank and other loans	–	–	13,113,211	13,113,211

41. 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 32. 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 rates.

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 2018 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:

	2018					
	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	–	799,102	2,159,131	9,191,633	9,868,292	22,018,158
Dividend payables	14,884	–	–	–	–	14,884
Trade and other payables	1,113,214	298,985	1,257,863	–	–	2,670,062
	1,128,098	1,098,087	3,416,994	9,191,633	9,868,292	24,703,104

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2017					
	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	–	1,815,031	1,468,624	8,270,845	10,992,789	22,547,289
Dividend payables	4,399	–	–	–	–	4,399
Trade and other payables	610,178	330,318	1,618,563	–	–	2,559,059
	614,577	2,145,349	3,087,187	8,270,845	10,992,789	25,110,747

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 a sale-leaseback principal of a 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	12-month ECLs	**Lifetime ECLs**			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Contract assets	–	–	–	452,369	452,369
Trade receivables	–	–	–	1,285,645	1,285,645
Financial assets included in prepayments, other receivables and other assets					
– Normal*	194,152	–	–	–	194,152
– Doubtful**	–	–	95,591	–	95,591
Pledged deposits					
– Not yet past due	16,258	–	–	–	16,258
Loan to customers	–	–	–	1,329,794	1,329,794
Cash and cash equivalents					
– Not yet past due	3,657,420	–	–	–	3,657,420
	3,867,830	–	95,591	3,067,808	7,031,229

* For trade receivables, contract assets and loan to customers to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 27 and 28 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2018 and 31 December 2017.

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 2018 was 58.68% (2017: 58.33%).

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.

42. CONTINGENT LIABILITIES

At 31 December 2018, the Group did not have any material contingent liabilities.

43. 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:

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**340,431**	353,293
Service concession arrangements	**10,257,932**	10,741,737
Prepaid land lease payments	**196,187**	218,159
Investments in subsidiaries	**6,362,384**	6,007,904
Investment in a joint venture	**730,000**	220,000
Investments in associates	**38,438**	38,438
Available-for-sale investments	**–**	158,722
Equity investments designed at fair value through other comprehensive income	**294,257**	–
Due from subsidiaries	**2,874,865**	2,874,865
Payments in advance	**2,000**	2,000
Deferred tax assets	**1,360**	6,653
Total non-current assets	**21,097,854**	20,621,771
CURRENT ASSETS		
Inventories	**197**	197
Prepayments, deposits and other receivables	**72,277**	169,910
Due from subsidiaries	**954,146**	757,504
Pledged deposits	**–**	68,395
Cash and cash equivalents	**2,053,538**	1,373,797
Total current assets	**3,080,158**	2,369,803
CURRENT LIABILITIES		
Tax payable	**18,913**	29,955
Other payables and accruals	**654,006**	667,913
Contract liabilities	**71,400**	–
Interest-bearing bank and other loans	**1,513,349**	1,940,050
Due to subsidiaries	**12,347**	12,641
Total current liabilities	**2,270,015**	2,650,559
NET CURRENT (LIABILITIES)/ASSETS	**810,143**	(280,756)
TOTAL ASSETS LESS CURRENT LIABILITIES	**21,907,997**	20,341,015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other loans	**6,935,050**	6,131,697
Deferred income	**108,523**	86,460
Total non-current liabilities	**7,043,573**	6,218,157
Net assets	**14,864,424**	14,122,858
EQUITY		
Issued capital	**3,058,060**	3,058,060
Reserves *(note)*	**11,806,364**	11,064,798
Total equity	**14,864,424**	14,122,858

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Fair value reserve (non-recycling) *RMB'000*	Available-for-sale investment valuation reserve *RMB'000*	Difference arising from the acquisition of non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2017	2,654,601	4,102,204	3,747,618	–	19,568	(244,529)	10,279,462
Total comprehensive income/(loss) for the year	–	–	1,120,441	–	1,282	–	1,121,723
Transfer from/(to) reserves	–	450,803	(450,803)	–	–	–	–
Final 2016 dividend paid	–	–	(336,387)	–	–	–	(336,387)
At 31 December 2017	2,654,601	4,553,007	4,080,869	–	20,850	(244,529)	11,064,798
Impact on initial application of HKFRS 9 *(note 2.2)*	–	–	–	83,418	(20,850)	–	62,568
At 1 January 2018	**2,654,601**	**4,553,007**	**4,080,869**	**83,418**	**–**	**(244,529)**	**11,127,366**
Profit for the year	**–**	**–**	**995,917**	**–**	**–**	**–**	**995,917**
Other comprehensive income for the year: Changes in fair value of equity investments other comprehensive income,net of tax	**–**	**–**	**–**	**(11,113)**	**–**	**–**	**(11,113)**
Total comprehensive income for the year	**–**	**–**	**995,917**	**(11,113)**	**–**	**–**	**984,804**
Transfer from/(to) reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Final 2017 dividend paid	**–**	**–**	**(305,806)**	**–**	**–**	**–**	**(305,806)**
At 31 December 2018	**2,654,601**	**4,553,007**	**4,770,980**	**72,305**	**–**	**(244,529)**	**11,806,364**

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.

44. 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.

45. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2017 has been presented.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 March 2019.