Sichuan Expressway Company Limited

(Stock Code: 00107)

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

2019 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	Sichuan Chengyu Commercial Factoring Company Limited (previously known as "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. (Deregistered)
Shuxia Company	Sichuan Shuxia Industrial Company Limited
Suiguang-Suixi Company	Sichuan Suiguang-Suixi Expressway Company Limited
Multimodal United Transportation Company	Sichuan Multimodal United Transportation Investment and Development Co., Ltd.*(四川省多式聯運投資發展有限公司) (formerly known as "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.

III. OTHERS

2019 AGM	the 2019 annual general meeting of the Company to be held on 3 June 2020 (Wednesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 16 April 2020 (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
CRSC	China Railway Signal & Communication Corporation Limited
Tianqiong Expressway Project	Expressway project for Chengdu Tianfu New District to Qionglai

Development Investment Company	Sichuan Development Equity Investment Fund Management Co., Ltd.
Director(s)	director(s) of the Company
Dividend Entitlement Date	18 June 2020 (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 2019 final dividend of the Company (if approved by the Shareholders at the 2019 AGM)
Group	the Company and its subsidiaries
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of Stock Exchange
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by the Directors and the Supervisors of the Company
Nomination Committee	the nomination committee under the Board
PRC or Mainland China	The People's Republic of China, for the purpose of this annual report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
Remuneration and Appraisal Committee	the remuneration and appraisal committee under the Board
Renshou Gaotan BT Project	engineering construction projects including Gaotan Water Park, roads in the area of Gaotan Reservoir, landscape engineering of Central Business Avenue, Tianfu Renshou Avenue, underneath channel of Lingzhou Avenue and Renshou Avenue extension

Renshou Shigao BT Project	Section II of Shigao Avenue in Renshou Shigao Economic Development Zone, Tianfu New District, Gangtie Avenue, Qingshui Road and Ring Road (including road maintenance project of Artery No.1), south section of Zhanhua Road (including the business street and Quanlong River levee project) and Logistics Avenue (including storm sewage pipe network project of Huahai Avenue) and other engineering construction projects)
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 2019

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 Company	Gan Yongyi
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

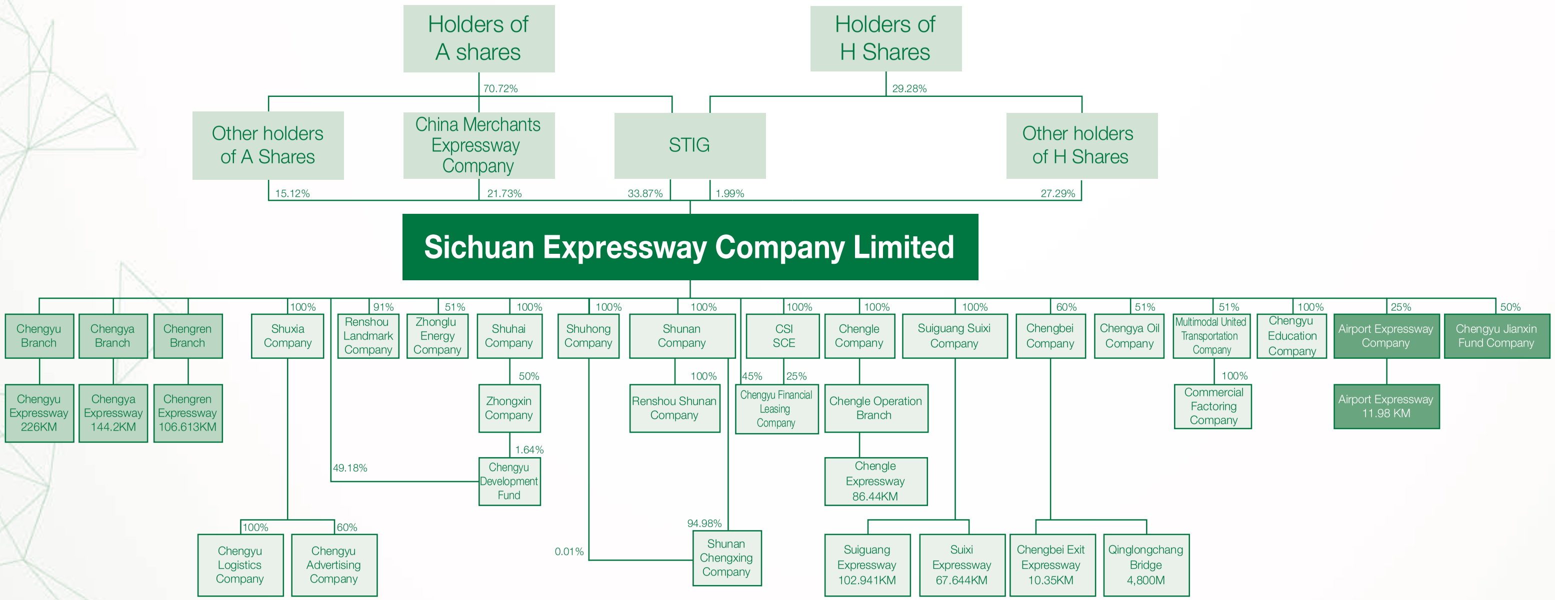
Place for Inspection of the Annual Report of the Company	PRC: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC Hong Kong: 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young Certified Public Accountants 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, 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	13 March 2020
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.

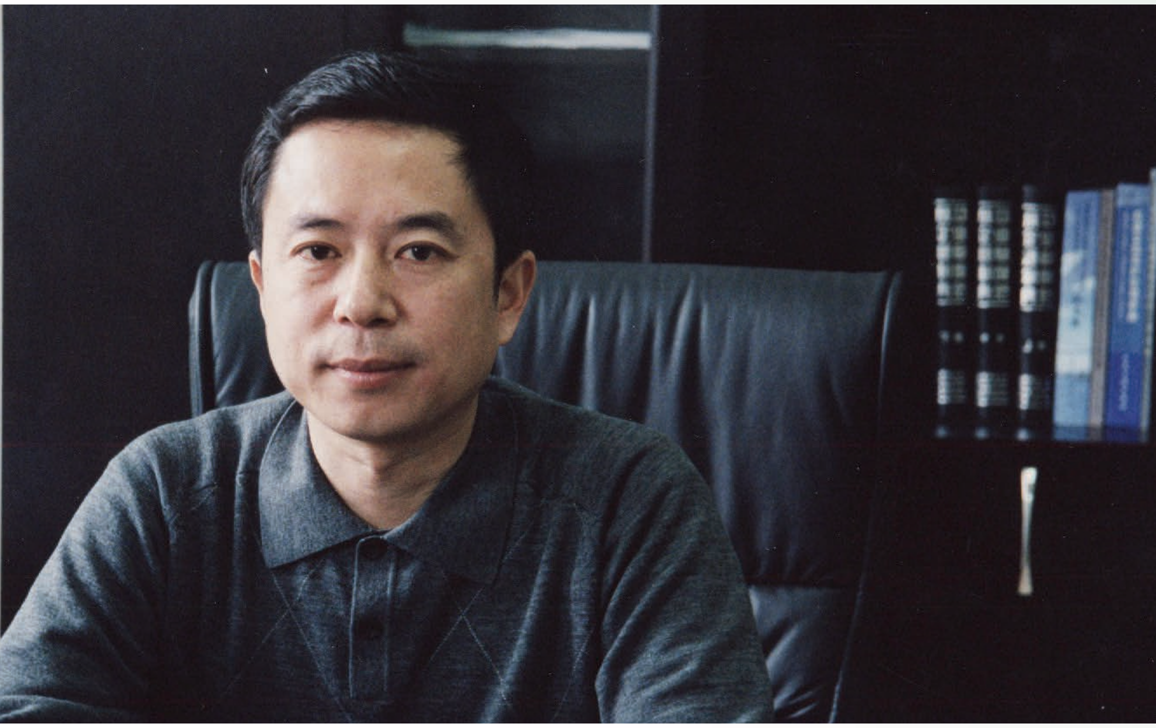
The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects as well as the operation of other businesses related to expressways. Currently, the Group mainly owns all or substantially all interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suiguang Expressway and Suixi Expressway. As at 31 December 2019, the toll length of expressways of the Group has reached approximately 744km in total. The Group's total asset and net asset were approximately RMB37,860,574,000 and RMB16,153,968,000 respectively.

For the year ended 31 December 2019, 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



Gan Yongyi
Chairman

I would like to report on behalf of the Board of Directors to the Shareholders. In 2019, the Group, complied with the general trend of macro economy while keeping up with the changes in the industry and seizing new opportunities for regional development, set up plans and moved with the trend to achieve performance improvement of both the main business the auxiliary business. It has made solid steps and significant progress in all aspects of work. The Group's comprehensive strength, innovation ability, service ability and market competitiveness have been steadily improved.

RESULTS AND DIVIDENDS

In 2019, the Group's profit attributable to the owners of the Company was approximately RMB1,086,131,000, representing a year-on-year decrease of 27.83%. Basic earnings per share were approximately RMB0.355 (2018: approximately RMB0.278). In accordance with the provisions in the Articles of Association, 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 2019 of RMB0.11 per share (tax inclusive), aggregating to approximately RMB336,387,000, representing 48.81% of the profit available for distribution to the Shareholders recorded by the Company for the year in accordance with the PRC accounting standards and 31.07% 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 2019 Annual General Meeting of the Company.

REVIEW

Macroeconomics proceeded with both quality and efficiency. In 2019, China has continued to promote the transformation and upgrading of the economic structure to create a business environment full of opportunities and vitality and maintain the stable and qualitative development trend of the overall national economy[1]. In 2019, the highlights of Sichuan's economic development was numerous[2]: strengthening areas of weakness by building infrastructure and improving vitality by pushing forward with reforms that delegate power, streamline administration and optimize government services; making the "Trunk" bigger and powerful, the "Branches" advance side by side and "Five districts' synergy" complement each other's advantages[3]; "Culture +" and "Tourism +" helping deep integration of the industries; Yibin Port and Luzhou Port continuing to integrate into the Yangtze River Economic Belt; Chengdu-Chongqing economic integration bringing up with the new growth pole. At the macro level, national and provincial strategies such as the "Belt and Road", regional coordination and global opening created an environment and opportunities for the sound development of enterprises. Institutional innovation, financial innovation and scientific and technological innovation continue to be integrated. The development of port has made multimodal transport from budding to flourishing. The blueprint for the development of a strong province for tourism is outlined and the Company's diversified sectors related to toll roads and bridges can be expected in the future.

The transportation industry was going above and beyond with prudence. In 2019, The transportation industry of our country was based on the current situation and had a long-term layout. The comprehensive transportation system had been constantly improving, and the construction outline of building a strong transportation country had set a vantage point of the next industry; We adhered to "going abroad" in the transportation field, and kept the pace of opening up and cooperation; We continued to deepen the structural reform[4], accelerate the transformation of charging mode, steadily improved the traffic efficiency, and developed industry by intelligentization and digitization. In 2019, Sichuan continued to implement the strategies of "Four Directions, Eight Corridors and Five Junctions"[5] and the construction of the Grand Going Out Passage of Sichuan based on the goal of building a strong transportation province, and further increased its degree of opening up; we gave more support to the construction of multimodal inter-transportation and port, and re-optimized the transportation structure; the smart transportation, green transportation and scientific and technologic transportation continued to lead the industry's innovation and

1 According to the preliminary accounting data of National Bureau of Statistics, China's gross domestic product (GDP) reached RMB99,086.5 billion in 2019, representing a year-on-year increase of 6.1%.

2 According to the preliminary accounting data of Sichuan Provincial Bureau of Statistics, in 2019, Sichuan's GDP reached RMB4,661.582 billion, representing a year-on-year increase of 7.5%.

3 "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.

4 On December 31, 2019, the national project of canceling the expressway toll stations at provincial borders successfully completed the interconnection switch. 487 expressway toll stations at provincial borders in 29 provinces which have been joined to the network across the country were cancelled since 00:00 a.m. on January 1, 2020.

5 "Four Directions, Eight Corridors and Five Junctions ": Four Directions: East, West, South and North; Eight Corridors: build two corridors in each direction; Five Junctions: following the development pattern of "one trunk with multiple branches", focusing on strengthening the covering and driving capability of Chengdu's international comprehensive transportation junction, and cultivating and building Luzhou-Yibin, Panzhihua, Dazhou, Guangyuan and other gateway comprehensive transportation hubs to and from Sichuan.

the vigor has been re-energized; we further cultivated our own cultural and tourism advantages, accelerated the mutual promotion of transportation and tourism, and re-upgraded the combination of transportation and tourism. At present, the transportation industry is in its key period of integration of development and reform. It is imperative to use the existing advantages of its own road networks, platforms, and data to graft such front industry as the Internet, 5G technology, artificial intelligence and other industries. And "Economy Development, Transportation First" is also embodied with a new interpretation: in the new era, the transportation industry is not only a powerful support for the national economy, but also a leader for the international opening-up and cooperation and a test field that merges with other fields to produce a significant change. There are challenges and opportunities in the transportation industry.

For Sichuan Expressway, 2019 was a year of struggle for accelerating development in a pioneering and innovative spirit. On the basis of strengthening strategic control and planning in advance, the whole Group had been working hard to continuously inject driving forces into the Company's rapid and long-term development, and had been practicing principles of increasing efficiency, promoting development, expanding scale, growing business, and strengthening management. Encouraging progress was made in all of the work.

Steady improvement was made in operating efficiency. The Group realized net revenue and total profit of approximately RMB7,807 million and RMB1,464 million for the whole year, respectively, representing a year-on-year increase of 14.45% and 21.36%. The toll roads and bridges segment made further achievement with aggregated toll income of RMB3,899 million, representing a year-on-year increase of 9.29%, and significant achievements were made in the relevant diversified segment with aggregated income of RMB3,908 million, representing 50.06% of the total income of the Company, which jointly promoted the development of the "five major business segments" of the Company with a larger scale and a better structure.

High-quality development has yielded fruitful results. During the year, the Company has made efforts in various areas with precision and effort to promote high-quality and sustainable development in road and bridge engineering, service quality, environmental protection, operation management, reform and innovation and so on: its subsidiary company, Chengren Expressway won the "National Quality Project Award" (國家優質工程獎), and Suiguang Expressway and Suixi Expressway both won the "Li Chun Award" (李春獎) (Highway Transportation Quality Project Award (公路交通優質工程獎)). The province's first multifunctional experience-type "Driver's Home" was officially opened in the Wangyang service area, and Chengya Expressway successfully created the "Five Good Expressway". The Company has comprehensively investigated the environmental pollution risks of business sites, office areas, etc., improved the environmental protection management mechanism, regularly held safety and environmental protection meetings to further institutionalize and normalize environmental protection work; strengthened the collection of funds, improved utilization efficiency, reduced financing costs, and solidly promoted "reducing costs and increasing efficiency"; innovated ideas, strictly controlled costs, seized the construction period, and completed the task of "Reform and Remove" (改革撤站) on schedule.

Dramatic breakthrough in road and bridge main business. Firstly, the innovate investment models, as the leader, the Company formed a consortium with Road & Bridge International Co., Ltd. (中交陸橋建設有限公司) and won the bid for the Tianqiong Expressway project and established the project company. The preliminary preparations are being carried out in an orderly manner; secondly, the Company actively "go global", it jointly participated in international mergers and acquisitions with five companies such as China Merchants Expressway (招商公路), and successfully completed the acquisition contract of the "Bosphorus Third Bridge and Beihuan Expressway" (博斯普魯斯第三大橋及北環高速) in Istanbul, Turkey. If it progresses smoothly, it will become the first order for domestic companies to invest in overseas high-speed toll projects under operation; thirdly, the phased results of existing projects. Chengle expansion project, as the first large-scale reconstruction and expansion projects renovating while its opening to traffic in Sichuan Province, in the face of severe tests such as "constrained construction period, difficult requisition and removal, and heavy tasks to ensure smooth traffic", the Company has taken multiple measures and promoted in parallel to innovate financing and investment construction models, and based on which Qinglongchang to Meishan experimental section project was completed and opened to traffics as scheduled. The toll road and bridge segment continues to break through, which consolidates the Company's reliable foundation for sustainable development, and provides a more solid impetus for related diversified development at the same time.

Outstanding results achieved in diversified sector. Firstly, financial investment projects were successively completed. The Financial Leasing Company recorded an increase on the income and profit and established Sichuan China Communication Company (四川中交信通公司) jointly with the subordinate unit of Ministry of Transport, exploring and developing new business of "transportation + finance + communication"; strengthened the input effort in strategy resources, financial equity and other areas, resulting in RMB69 million invested in China Railway Signal & Communication Corporation Limited and more 10.27 million shares held in China Everbright Bank within the year. Secondly, city operation businesses expanded in order. Multimodal Transport Company completed its rename and consolidated the financial result with the Group. The integrated project of transportation and trading began to take shape.

The supply chain financial services developed steadily and the international supply chain company in cooperation with Chengdu Communication Investment established; Renshou Beichengshidai Project, with subscription of 930 and number of signed contracts of 880 throughout the year, accomplished sales cash collection of RMB1.01 billion. Thirdly, energy sale results achieved a new record high. Zhonglu Energy Company achieved the best sales result since its establishment of 8 years with a year-on-year increase of 70.26% of net profit via prospective judgment on the market scientifically and flexible use of the price scheme of oil products; Chengya Oil Company overcame the adverse factor of the closed road caused by Chengle's expansion renovation and achieved a year-on-year increase of 13.04% of net profit. Fourthly, transport, tourism, cultural and education business further processed ahead. Dachuan River healthcare and wellness tourism project in Lushan County was advanced substantially; Chengyu Education Company reserved the high-quality projects extensively, invested the establishment of higher vocational and technical schools with its own features and speeded up the completion of the projects.

The governance capability of the Company has been continuously strengthened. The Company adhered to the principle of compliance according to law, and performed the information disclosure and corporate governance obligations as A+H listed company with a high standard. In 2019, the Company continued to be awarded the Grade "A" company for information disclosure by SSE and the "Best Corporate Governance Award" (最佳企業管治獎) for listed companies from "China Finance"; listened to and responded to investors' opinions and suggestions on the Company's operation through multiple channels, and sincerely safeguarded investor relations; revised and improved the internal control manual in combination with its own actual situation, so that the internal control management was more scientific and efficient; established and improved the risk control system for investment decisions, standardized the review procedures, and further strengthened the risk closed-loop management.

PROSPECTS AND STRATEGIES

Looking back on the past year, we assessed the situation and took the initiative action externally while worked steadfastly and never changed our original intention internally, so we made laudable progress. As the Chinese saying goes, when all is calm, forget not danger; when all is well, be awake to woes. Looking at the external environment, downward economic pressure was still existing, and industrial reform was in the ascendant. A series of new topics and new changes needed to be carefully studied and addressed. Reflecting on the internal development, the refinement level of the Company's management needed to be improved, the principle business potential had not been fully tapped, the system and mechanism innovation was still insufficient, and the talent structure still needed to be optimized. Therefore, we must further strengthen the study and analysis of the macro situation, optimize the strategic layout, cultivate our own skills and improve the overall competitiveness comprehensively.

In 2020, the year in which a well-off society will be built in an all-round way and the 13th Five-Year Plan will be completed. At the macro level, we will take the new development concept[6] as the guide, continue to implement active fiscal policies and prudent monetary policies, take the attitude of innovation and opening up, turning pressure into power and challenges into opportunities while striving to promote sustainable, stable and healthy economic development. In the long run, urbanization, opening-up and cooperation, and regional economic integration will continue to create a favorable macro environment for the expansion and structural optimization of enterprises.

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6 i.e. the new development concepts of "innovation, coordination, green, opening and sharing".

7 "Expansion from four sides, opening to all fields": highlighting the south side, improving the east side, deepening the west side, and expanding the north side, advancing the opening road construction with the focus of the three-dimensional transportation, building the high-level opening platform and forming the new situation of three-dimensional and overall opening.

In 2020, Sichuan will continue to implement "one trunk with multiple branches (一干多支)"and promote "synergic development of five districts (五區協同)"; integrate major strategies and expand economic geography boundaries based on "global openness"[7]; deepen Sichuan-Chongqing cooperation and promote regional integration; comprehensively promote "tourism + transportation" to be deeply integrated and continuously innovate the economic development model. Objectively, Sichuan, as a province with large population, sufficient resources and powerful economy, will continue to provide strong support for the benign development of enterprises.

2020 features a crucial year to speed up the construction of a country with powerful transportation. Practical exploration of the outline of building a strong transportation country will be actively carried out in the transportation industry which continues to play a fundamental supporting role in the national major strategies. We will further deepen reforms in key areas such as the toll road system and accelerate the "one network (一張網)" operation and "a board of chess (一盤棋)" management of expressways; driven by innovation, vigorously promote the development of intelligent and environmental transportation, and strive to create a new situation of open cooperation in transportation. On the whole, the transportation industry is still in a golden period of infrastructure investment construction, service improvement, transformation and upgrading development.

The year 2020 is a year when we work together to overcome the difficulties and forge ahead. At the beginning of the year, in the face of the outbreak of pneumonia caused by the novel coronavirus, we actively cooperates with relevant departments in the prevention and anti-epidemic work on the traffic front, strictly implements the toll-free policy during the epidemic period, highlighting the Company's consistent commitment and dedication in responding to social emergencies. While the free policy on toll roads has still being implemented currently, and the period thereof is unpredictable accurately, the Company makes great effort to balance the social responsibility and economic benefits, and strives to overcome the impact of free policy on the operation of the Company through cost control, budget adjustment, efficiency improvement, orderly resumption of work, relevant supporting policies and a series of measures. We firmly believe that the short-term difficulties will not affect the long-term planning of the Company. In the new year, the Company will continue to play well in "main-industry tough fight" to build a solid core foundation and in "relevant multi-industries positional fighting" to strengthen its business block in conformity with the main industry. The Company will always carry forward the spirit of perseverance and focus on maintaining the healthy, sustained and stable development of the Company.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity 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.

Gan Yongyi
Chairman

Chengdu, Sichuan Province, the PRC
30 March 2020

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 2019, the Group conformed to the development trend of the industry, seized regional development opportunities and united all work forces to overcome any challenges and perform the advantages to make significant progress in various aspects. In the face of mounting downward pressure on the domestic economy, the Group continued to maintain a generally stable and progressive development trend, made material breakthroughs in the development of core industries and made significant improvement in related diversified sectors.

In the Year, the net revenue of the Group amounted to approximately RMB7,806,743,000, representing an increase of approximately 14.45% year-on-year. In particular, the "toll roads and bridges" segment achieved net income of approximately RMB3,899,438,000, representing a year-on-year increase of approximately 9.29%; the "financial investment" segment achieved net income of approximately RMB147,321,000, representing a year-on-year increase of approximately 68.36%; the "city operation" segment achieved net income of approximately RMB1,987,349,000, representing a year-on-year increase of approximately 57.96%; the "energy investment" segment achieved net income of approximately RMB1,772,635,000, representing a year-on-year decrease of approximately 7.06%. The profit attributable to the owners of the Company was approximately RMB1,086,131,000, representing an increase of 27.83% year-on-year. Basic earnings per Share were approximately RMB0.355 (2018: approximately RMB0.278). As at 31 December 2019, the Group's total assets amounted to approximately RMB37,860,574,000 and net assets amounted to approximately RMB16,153,968,000.

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

	Income for 2019 (after deduction of turnover tax) *(RMB'000)*	**Year-on-year increase/(decrease) in income for 2019** *(%)*	**Profit/(loss) for 2019** *(RMB'000)*	**Year-on-year increase/(decrease) in profit/(loss) for 2019** *(%)*
Chengyu Branch *(Note 1)*	940,671	13.77	297,668	11.39
Chengya Branch *(Note 1)*	962,440	5.37	373,066	(0.53)
Chengren Branch *(Note1, 2)*	1,021,189	18.07	393,342	38.50
Chengle Branch *(Note 3)*	496,947	(11.57)	258,330	(16.48)
Chengbei Branch	107,205	(7.43)	(526)	(100.95)
Suiguang-Suixi Company *(Note 4)*	370,984	30.10	(340,573)	(20.29)
Shunan Company *(Note 5)*	(75)	(100.30)	(35,929)	23.89
Renshou Shunan Company *(Note 5)*	14,645	(88.21)	65,332	(22.42)
Ziyang Shunan Company *(Note 6)*	263,957	19.71	42,424	469.76
Shuhong Company *(Note 7)*	32,963	(15.55)	(21,528)	3.90
Shuxia Company	74,157	20.53	21,320	21.63
Chengyu Advertising Company	6,587	2.78	(29)	(143.28)
Chengyu Logistics Company	–	N/A	–	N/A
Chengyu Education Company	–	N/A	(2,526)	N/A
Multimodal Transport Company	205,360	N/A	(9,522)	N/A
Commercial Factoring Company	3,980	N/A	2,254	N/A
Shuhai Company *(Note 8)*	–	N/A	8,996	(206.83)
Chengya Oil Company	502,243	2.99	47,673	13.04
Zhonglu Energy Company *(Note 9)*	1,272,981	(10.52)	41,318	70.26
Renshou Landmark Company *(Note 10)*	31,780	(69.95)	(66,929)	54.42
Chengyu Financial Leasing Company *(Note 11)*	143,399	63.88	44,564	22.61

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

Note 2: The profit of Chengren Branch increased by RMB109,341,000 or 38.50% from that of last year, mainly because the toll income (after deduction of turnover taxes) had a year-on-year increase of RMB156,321,000 or 18.07%, which was mainly driven by (1) increase in the GDP of cities alongside Chengren Expressway, among which GDP of Chengdu, Luzhou and Yibin increased by 8%, 8.5% and 9.8%, respectively. In addition, in 2019, the Tianfu New District alongside the expressway and Renshou Economic Development Zone vigorously promoted the construction and development to increase the toll income; (2) the increase in toll income as the Notice of 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 Legitimate Transport Vehicles (Chuan Jiao Fa [2014] No.1)(《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》)(川交發[2014]1號) would no longer be implemented from 15 January 2019, stated in 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) issued by the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department on 15 January 2019; (3) the increase in toll income because from 1 January 2019, in Sichuan Province, 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, which was stated in 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; (4) increase in toll income because of the increase of Chengyi Expressway's outfield construction vehicles and the traffic diversion in areas of Leshan due to the reconstruction and expansion of Chengle Expressway.

Note 3: The profit of Chengle Expressway recorded a decrease of RMB50,963,000 or 16.48% as compared with that of last year, mainly because the toll income (after deduction of turnover taxes) had a decrease of RMB65,010,000 or 11.57%, which was mainly driven by (1) the decrease in toll income attributable to the traffic diversion caused by the traffic control for 4 hours due to the demolition of the pedestrian bridge on 25 January 2019, the traffic control for 8.5 hours due to the remove of Meishan Interchange Overpass on 14 June 2019 and the entrance close of stations B and D of Meishan due to the reconstruction of Meishan Interchange Overpass from 1 June 2019; (2) the decrease in the short-distance traffic flow because of the restriction in speed between the Qinglong to Meishan experimental section due to the reconstruction and expansion of Chengle Expressway from 10 September 2019; (3) the traffic diversion because Mindong Avenue was officially opened on 8 November 2019, becoming a fast passage from Chengdu to Meishan.

Note 4: The loss of Suiguang Suixi Company recorded a decrease of RMB86,689,000 as compared with that of last year, mainly because the toll income (after deduction of turnover taxes) had a year-on-year increase of RMB85,826,000 or 30.10%, which was mainly driven by (1) the increase in toll income as the Notice of 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 Legitimate Transport Vehicles (Chuan Jiao Fa [2014] No.1)(《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》)(川交發[2014]1號) would no longer be implemented from 15 January 2019, stated in 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) issued by the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department; (2) the increase in toll income because from 1 January 2019, in Sichuan Province, 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, which was stated in 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; (3) affected by Suining's environmental protection policy, construction sites in Suining urban district are transporting sand and gravel through Suixi Expressway to Banan Expressway Tiefotang Toll Station, which has greatly promoted the growth of Suixi Expressway's revenue, accounting for approximately 25% of daily revenue; (4) The Company's major channel construction has played an active role, and the number of passenger and cargo vehicles has continued to increase. The vehicles for returning home in Spring Festival and travelling in summer holiday preferentially chose Suiguang-Suixi Expressway through navigation.

Note 5: 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. In addition, the increase in financial costs of Renshou Shunan Company led to a decline in its profit.

Note 6: Ziyang Shunan Company recorded an increase of 469.76% in the profit this year as compared with that of last year, mainly due to the relevant output value income and profit recognised after the final check and acceptance as the project of the year has reached the conditions for recognising output value income.

Note 7: For Shuhong Company, due to the deregistration of Shurui Company, profit of the year was merged into Shuhong Company.

Note 8: Shuhai Company recorded an increase of RMB17,417,000 in profit for this year as compared with that of last year, mainly due to the increase in dividend income recognized this year.

Note 9: Zhonglu Energy Company recorded a decrease of 10.52% in the net revenue for this year mainly due to lower sales volume of the chemical products for this year, though such adverse factor was offset by the gross profit margin of the refined oil product which was much higher than that of the chemical products.

Note 10: Renshou Landmark Company registered a dramatic year-on-year decrease in the revenue because the residential housing in the Project Beichengshidai (phase one) were delivered and the commercial and parking lots were mainly delivered in this year. The increase in profit for the year was mainly due to the decrease in financial expenses.

Note 11: Chengyu Financial Leasing Company registered an increase of 63.87% and 22.61%, respectively, in the net revenue and profit for this year, mainly due to an increase of 98.75% in the investment amount used for the new projects in this year and because most of the projects were delivered in this year which yielded higher rental income and interest income.

(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:

		Average daily traffic flow *(vehicles)*			**Toll income (before revenue taxes)** *(RMB'000)*		
Item	**Shareholding percentage** *(%)*	**2019**	2018	**Increase/ (decrease)** *(%)*	**2019**	2018	**Increase/ (decrease)** *(%)*
Chengyu Expressway	100	**23,042**	25,045	(6.56)	**944,238**	830,186	13.74
Chengya Expressway	100	**41,596**	40,336	3.12	**966,357**	917,069	5.37
Chengren Expressway	100	**40,389**	39,866	1.31	**1,024,965**	868,040	18.08
Chengle Expressway	100	**28,943**	35,276	(17.95)	**498,832**	564,117	(11.57)
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	**52,164**	58,716	(11.16)	**107,917**	116,571	(7.42)
Suiguang Expressway	100	**6,668**	6,082	9.64	**217,517**	184,831	17.68
Suixi Expressway	100	**2,929**	2,641	10.91	**154,873**	101,532	52.54

In 2019, the toll income (before deduction of turnover taxes) of the Group was approximately RMB3,914,699,000, representing an increase of approximately 9.28% as compared with last year. The percentage of the toll income to the Group's operating revenue from main business (after deduction of turnover taxes) was approximately 49.95%, representing a decrease of approximately 2.36% when compared with 52.31% 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 2019, global trade frictions have intensified, and the downward pressure on the domestic economy has increased. However, the basic trend of rising at a stable pace in the domestic economy has not changed. The gross domestic product (GDP) for the Year amounted to RMB99,086.5 billion, representing a year-on-year increase of 6.1%[1] based on comparable prices, significantly higher than the global economic growth rate. The economy of Sichuan Province grew steadily, and the scale of economy continued to enlarge. Sichuan Province achieved a regional GDP of RMB4,661,582 million, representing an increase of 7.5% based on comparable prices as compared to last year, which is 1.4 percentage points[2] higher than the national average level. 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 (before deduction of turnover taxes) increased by 9.28%.

(2) Policy factors

The following policy documents on expressway operations issued or implemented in 2019 and early 2020 will likely affect the operational performance of the expressways of the Group.

– According to 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) issued by the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department, 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, and the tolls to be collected for such vehicles would be calculated based on the basic weight-based-tolling rates for cargo vehicles commencing from 15 January 2019.

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

– According to the Notice on Collection of Toll against Passenger Vehicles of 20 to 30 Seats as Class III Vehicles (關於對20–30座客車按三類車型收取車輛通行費的通知) issued by the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department, from 1 January 2019, the policy on toll based on downward classification would no longer be executed in Sichuan Province for passenger vehicles of 20 to 30 seats, the toll for which would be restored to that for class III vehicles.

– According to the Notice on Implementation of Differentiated Toll Collection for Expressways (關於實施高速公路差異化收費的通知) issued by Sichuan Provincial Department of Transportation, Sichuan Provincial Development and Reform Commission and the Sichuan Provincial Department of Finance, differentiated toll collection have been 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 (from 00:00 on 1 April 2019 to 24:00 on 31 March 2020). 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 (from 00:00 on 1 April 2019 to 24:00 on 31 March 2024) (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 (from 00:00 on 1 April 2019 to 24:00 on 31 March 2024) (For the trucks which use ETC card of Sichuan Province for toll payment, the expressway toll will be collected at a discount of 5%).

– According to the requirements of the Notice on Deepening the Reform of the Toll Road System on Cancellation of Toll Stations on the Provincial Boundaries of Expressways (關於深化收費公路制度改革取消高速公路省界收費站的通知) issued by the Office of the People's Government of Sichuan Province, Sichuan Province has canceled all 19 provincial expressway toll stations in the province at 00:00 on 1 January 2020, and achieved grid-connected of toll system.

– According to the Notice on Adjusting the Vehicle Tolls Charging Method and Standard for Operating Expressway in Our Province (關於調整我省經營性高速公路車輛通行費計費方式和收費標準的通知) issued by the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province, the adjusted vehicle tolls charging method and standard for expressway will be implemented from 1 January 2020. The main contents are as follows:

1. The charging method of expressway tolls was adjusted from a closed model to an open section fares system, which would be calculated based on the actual driving road of a vehicle;

2. The vehicle type classification of expressway toll is strictly executed in accordance with the industry standard "Vehicle Type Classification of Toll Highway Vehicle Toll" (JT/T489–2019). The relevant adjustment information of vehicle type classification is shown as follows:

Toll classification \ Vehicle type	Passenger vehicles		Goods vehicles		
	Before adjustment	Upon adjustment	Total amount of axles	Before adjustment	Upon adjustment
Type 1	7 seats or below	9 seats or below	2 axles	2 tons or below	Car length is under 6 meters and the total mass of it can undertake is under 4.5 tons
Type 2	Between 8 seats and 19 seats	Between 10 seats and 19 seats Passenger/car trailer combination		Between 2 tons to 5 tons (including 5 tons)	Car length is over or equal to 6 meters or the total mass it can undertake is over or equal to 4.5 tons
Type 3	/	39 seats or below	3 axles	/	/
Type 4	/	40 seats or above	4 axles	/	/
Type 5	/	/	5 axles	/	/
Type 6	/	/	6 axles	/	/

3. Passenger cars shall be charged according to different types of vehicles, and the standard of base toll shall be implemented in accordance with the standards approved by the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province; Goods cars will be charged by different types of vehicles instead of by weight, and the charging rate will be implemented in accordance with the Adjustment Plan for Goods Vehicles Toll Charging Modes of Sichuan Toll Expressways (四川省已收費高速公路貨車通行費計費方式調整方案), pursuant to which, the standards of charging rate of each of the expressway under the Group are as follows:

Name of road	Number section	Toll classification	Charging rate standards for goods vehicles *(RMB/car. Km)*					
			Type 1	Type 2	Type 3	Type 4	Type 5	Type 6
1	Chengya Expressway	Basic toll	0.37	0.64	1.12	1.57	1.68	2.03
2	Chengle Expressway	Basic toll	0.38	0.65	1.15	1.63	1.74	1.93
3	Chengyu Expressway	Basic toll	0.38	0.66	1.17	1.7	1.81	2.08
		Additional payment for bridge and tunnel	2.63	4.89	8.71	12.58	13.63	15.15
4	Chengren Expressway	Basic toll	0.38	0.66	1.17	1.68	1.79	2.11
		Additional payment for bridge and tunnel	2.98	5.04	8.99	12.92	14	16.46
5	Chengbei Exit Expressway	Basic toll	0.39	0.54	1.19	1.42	1.63	1.92
6	Suiguang Expressway	Basic toll	0.37	0.66	1.18	1.65	1.87	2.2
7	Suixi Expressway	Basic toll	0.39	0.69	1.26	1.74	1.85	2.21

– At the beginning of 2020, a relatively serious novel coronavirus epidemic occurred in China and in many countries around the world, which had a significant impact on people's lives and health and the socio-economic development. Since the outbreak of the epidemic, people's willingness to travel has been reduced, and the resumption of work and production by enterprises has been delayed, which has resulted in the suspension of a large number of passenger flights and lines and a sharp decline in road traffic. In order to guarantee the epidemic prevention and control work and support the resumption of work and production for enterprises, the toll-free policy for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to the Notice on the Extension of the Toll Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020年春節假期小型客車通行費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport. According to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Epidemic issued by the Ministry of Transport (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), all vehicles passing toll roads according to law are exempt from tolls. Collect tolls from 00:00 on 17 February 2020 to the end of the epidemic prevention and control work.

(3) Regional development factors

Sichuan Province is rich in tourism resources, and self-driving tour remains hot, which in return make Chengya, Chengren, Suiguang and Suixi Expressways to keep high increase in truck flow. Due to the integration of Renshou county into Chengdu's same city development, and being in Chengdu's "half-hour" economic circle, its local economy has developed rapidly, the infrastructure in the Tianfu New District has gradually established well and the construction of Xinglong Lake has developed rapidly, the mobile population in such area has been increasing, which has promoted the growth in traffic flow of Chengren Expressway, especially in the growth of truck flow. Meanwhile, the construction of Tianfu New District, Shigao Economic Development Zone and Huantianfu New District Expressway Route along the Chengren Expressway has also brought certain truck flow. In addition, the construction progress of projects such as the South Extension of Hongxing Road, the Baofei section of Cheng (Chengdu) Yi (Yinbin) Expressway, the Lian (Lianjie) Le (Leshan) Railway, Chengdu Tianfu International Airport, Xincheng Industrial Development Zone in Jianyang City and other works has been accelerated. The demand for construction materials are strong, which has promoted relatively rapid growth in truck flow. The operation of large-scale e-commerce enterprises surrounding Jianyang, the accelerated industrial construction in Suining and Guang'an and the construction of new plants and continuous commencement of construction of a number of premises in Pengxi County and Guang'an Industrial Park, injected vitality to the freight transportation market, which stimulated the increase in the truck flow of Chengle, Suixi, Chengren Expressways.

(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: from 31 October 2018 to 30 April 2019, the access to the downtown through Chengdu Toll Station was closed for construction; from 15 October 2018 to 1 February 2019, the ramp at Jianyang Toll Station was closed for construction; from 30 August 2019, Ziyang Toll Station was closed completely, and completed its relocation and operation on 13 January 2020, which had a certain impact on the traffic flow of Chengyu Expressway.

Chengle Expressway and Chengya Expressway: from 8 o'clock on 28 May 2019, due to the reconstruction and expansion of Chengle Expressway, the section from Meishan to Qinglong was closed for construction, which was officially opened to traffic on 27 November 2019. During the period of closure, the traffic flow and toll revenue of Chengle and Chengya Expressway decreased significantly; from 1 December 2019 to 28 February 2020, Yakang Expressway implemented winter control, which had a certain impact on the traffic flow of Chengya Expressway.

Chengren Expressway: as the Chengle Expressway was closed due to reconstruction and expansion, the export flow of Chengren Expressway increased slightly.

Chengbei Exit Expressway: from 17 June 2019 to 30 September 2019, Chengbei Exit Expressway implemented two-way closing for construction (excluding Chengmian Interchange ramp), in late October, Chengbei Exit Expressway started a special pavement treatment project, which had a certain negative impact on toll revenue.

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, at the same time, steadily promoted the assets, service areas, advertising management and other businesses along the expressways, so as to promote the extension of related industries and increase the overall profit of the Group. In the Year, the net income of the Group's city operation segment amounted to approximately RMB1,987,349,000 (2018: RMB1,258,133,000), representing an increase of approximately 57.96% from the last year. Among them, the BT project (including PPP project) achieved net income of approximately RMB302,126,000 (2018: RMB409,010,000), representing a decrease of approximately 26.13% from the last year; real estate projects achieved net income of approximately RMB31,780,000 (2018: RMB105,743,000), representing a decrease of approximately 69.95% 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 the sales of petrochemical products etc. During the year, the Group operated 32 gas stations, and recorded a net revenue of approximately RMB1,772,635,000 (2018: RMB1,907,383,000) from operation of gas stations along the expressways and sales of petrochemical and other oil products, representing a year-on-year decrease of approximately 7.06%.

"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 net income of the Group's financial investment segment amounted to approximately RMB147,321,000 (2018: RMB87,505,000), representing an increase of approximately 68.36% from the 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 the date of this annual report, 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; and the Letter of Intent for the Project Investment of Characteristic Vocational and Technical Schools (特色職業技術學校項目投資意向書) has been entered into by Chengyu Education Company and the People's Government of Qionglai City, Sichuan Province.

(iv) Major financing and investment projects of the Group

(1) Chengle Expressway Expansion Construction Project

On 30 October 2017, the Company convened an extraordinary general meeting, considered and approved the resolutions on investing in the expansion construction project of Chengle Expressway and related matters. According to the reply on approval of the project from the Sichuan Provincial Development and Reform Commission, the total mileage of the project was 138.41km, and the project's estimated total investment was about RMB23.133 billion. While according to the reply on approval of the project from Transportation Department, the total mileage of the project was 130km, and the project's estimated total investment was about RMB22.16 billion. 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. On 27 November 2019, the pilot section project for Chengle Expressway expansion completed its established tasks and opened to traffic in two-ways; On 18 December 2019, the new Qinglong Toll Station of Chengle Expressway officially opened to traffic. From the date of construction commencement to 31 December 2019, the cumulative investment amount of Chengle Expressway expansion construction project was about RMB2.712 billion.

(2) Multimodal United Transportation Company renamed and included in the Company's consolidated statement

On 24 October 2017, the Company entered into the Investor Agreement with Chengdu Communications Investment Group Co., Ltd ("**CCI**") and China Railway Chengdu Group Co., Ltd ("**Chengdu Railway Bureau**") to jointly contribute and establish Tianyi United Company. On 19 January 2018, Tianyi United Company completed the industrial and commercial registration at the Administration for Industry and Commerce of Tianfu New District (Chengdu Area), Sichuan Province with a registered capital of 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, which were accounted by the Company as a joint venture.

On 4 April 2019, Tianyi United Company renamed from Sichuan Tianyi United Investment & Development Co., Ltd. to Sichuan Multimodal United Transportation Investment and Development Co., Ltd. and is included into the consolidated report of the Company as the holding subsidiary of the Company.

(3) 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 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 (If the approval by Party A's competent department or the internal and external approvals of Party B fails to meet the requirements, it can be postponed appropriately. The specific time shall be separately agreed upon by both parties). 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.

(4) 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 at Chengbei New City, involving a land area of approximately 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, and the accumulative sales revenue of Phase I amounted to approximately RMB509,408,000 as of 31 December 2019; for the Beichengshidai (Phase II), the Land A project construction is steadily pressed ahead and solid sales is achieved, Land C starts to sell, and Land B has begun pre-bidding. During the Reporting Period, Land A, C (both in Phase II) realized RMB972 million of sales collection, which has not been recognized as revenue.

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	74.02%	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%
Land C of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	24 June 2019	26.96%	Expected to be completed in December 2021	Residential commercial and parking lots	Site area: 34,381.58 square meters; Construction area: 180,780.32 square meters	91%

(5) Establishment of Chengyu Education Company and Investment in Characteristic Vocational and Technical School Projects

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 general manager's office meeting of the Company approved the proposal of the establishment of 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, which was wholly funded by the Company.

On 24 July 2019, Chengyu Education Company and the People's Government of Qionglai City, Sichuan Province signed the Letter of Intent for the Project Investment of Characteristic Vocational and Technical Schools (特色職業技術學校項目投資意向書), which planned to invest in characteristic vocational and technical school project in Qionglai City, Sichuan Province, including characteristic vocational technical higher vocational schools and characteristic vocational technical secondary vocational schools. The project is constructed in four phases, and the total investment scale is expected to be about RMB1.5 billion (the specific contents of investment and development are subject to the investment scale project plan).

(6) Winning the Bid for the Tianqiong Expressway Project and Establishment of Chengqiongya Company

To consolidate the development of principal business, improve the market competitiveness of "toll roads and bridges" segment, and promote the sustainable development of the Group, on 30 October 2019, the Board considered and approved the resolution of investment in Tianqiong Expressway Project. The Company and Road & Bridge International Co., Ltd. ("**Road & Bridge International**") established the Consortium to participate in the tender of the project, among which, the Company shall be the lead tender of the Consortium and Road & Bridge International shall be the member of the Consortium, representing 82% and 18% of its equity interest, respectively. On 3 December 2019, the Consortium received the Notification of Award issued by Chengdu Municipal Government, informing that the Consortium won the tender for this project through public tender. The total length of the project is 42km with an estimated total investment of approximately RMB8.685 billion. As approved by the provincial government of Sichuan, the project will be operated in BOT model and was planned to commerce the full-scale construction in 2020 with a construction period of approximately 3 years and a toll period of approximately 24 years and 90 days. The actual starting and ending time shall be subject to the approval by Sichuan Province.

On 27 December 2019, the Company entered into an investment agreement with Chengdu Municipal Government and Road & Bridge International jointly; On 21 January 2020, the Company and Road & Bridge International entered into a capital contribution agreement for the establishment of the project company with joint contribution. On 4 March 2020, Sichuan Chengqiongya Expressway Company Limited ("**Chengqiongya Company**"), the project company, was incorporated in Qionglai City, Sichuan Province, with a registered capital of RMB1,737 million, of which the Company contributed RMB1,424.34 million. Chengqiongya Company will enter into a concession agreement with the Chengdu government and be responsible for the investment, construction and operation of Tianqiong Expressway project. The Company shall fulfill the obligation of information disclosure timely in accordance with the progress of the project.

(7) Participation in the Acquisition Project in Turkey

On 20 December 2019, to explore the overseas expansion model of the principal business of the Company, the Board considered and approved the resolution of participation in the acquisition of overseas assets and the connected party transaction. The Company, China Merchants Expressway, China Merchants Union (BVI) Limited ("**CMU**"), Zhejiang Expressway Co., Ltd. ("**Zhejiang Expressway**"), Jiangsu Expressway Company Ltd. ("**Jiangsu Expressway**") and Anhui Expressway Company Ltd. ("**Anhui Expressway**"), proposed as the consortium members ("**Consortium Members**"), establish a joint venture (the "**Joint Venture**") in Hong Kong through joint contribution by their respective wholly-owned subsidiaries registered in Hong Kong for the purpose of acquiring 51% of the equity interest of ICA Company, which owns the franchise rights of the Third Bosphorus Bridge and the northern expressways located in Istanbul, Turkey, as well as 51% of the shareholders' loans owed by original shareholders to the ICA Company. The registered capital of the Joint Venture is USD688.5 million (equivalent to approximately RMB4,828 million), among which, the Company proposed to contribute USD48.195 million (equivalent to approximately RMB338 million), holding 7% of the equity interest with China Merchants Expressway, CMU, Zhejiang Expressway, Jiangsu Expressway and Anhui Expressway holding 31%, 20%, 17.5%, 17.5% and 7% of the remaining equity interest, respectively. The Joint Venture will establish a special purpose vehicle in Malta (the "**Consortium Malta SPV**"), and the Consortium Malta SPV will further establish a special purpose vehicle in the Republic of Ireland (the "**Consortium Ireland SPV**") for the purpose of completing the acquisition of overseas assets. On 23 December 2019, the Company entered into a cooperation agreement with CMU, Zhejiang Expressway, Jiangsu Expressway, China Merchants Expressway and Anhui Expressway. On the same day, as the Joint Venture, the Consortium Ireland SPV and the Consortium Malta SPV have not been incorporated, the Consortium Members, on behalf of the Joint Venture, the Consortium Ireland SPV and the Consortium Malta SPV, entered into the share purchase agreements with the seller.

The acquisition of the overseas assets shall apply for overseas investment filing to National Development and Reform Commission and the Ministry of Commerce, apply for foreign exchange registration to relevant banks, obtain approval and consent from Turkish Expressway Administration for Transport, obtain consent from the existing lending banks which lending money for the acquisition of the underlying asset and pass the antitrust review. There are uncertainties about whether it will pass the abovementioned procedures and also numerous uncertainties in the complicated and changeable international environment. The Company shall fulfill the obligation of information disclosure timely in accordance with the progress of the project.

(8) IPO Strategic Placement of CRSC A Share

In July 2019, in order to expand related businesses, the Company participated in the IPO strategic placement of A Share of CRSC with self-owned funds. The price of share issued by CRSC is RMB5.85 per share, with the A Share subscription price under strategic placement the same as the issue price of A Share. Pursuant to Announcement on Offline Preliminary Placement Results and Online Award Results published by CRSC on the website of Shanghai Stock Exchange on 12 July 2019, the number of allocated shares for the Company is 11,839,000 shares with allocated amount of RMB69,258,150.00. The allocated shares shall be locked for 12 months from the day that the shares issued by CRSC are listed and traded on the Sci-Tech Board of Shanghai Stock Exchange.

II. FINANCIAL REVIEW AND ANALYSIS

Summary of the Group's Operating Results

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**7,806,743**	6,820,997
Including: Net toll roads and bridges income	**3,899,438**	3,567,976
Net city operation revenue	**1,987,349**	1,258,133
Net financial investment revenue	**147,321**	87,505
Net energy investment revenue	**1,772,635**	1,907,383
Profit before tax	**1,463,539**	1,205,912
Profit attributable to owners of the Company	**1,086,131**	849,638
Earnings per share attributable to owners of the Company *(RMB)*	**0.355**	0.278

Summary of the Group's Financial Position

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Total assets	**37,860,574**	36,035,058
Total liabilities	**21,706,606**	21,150,659
Non-controlling interests	**876,070**	392,793
Equity attributable to owners of the Company	**15,277,898**	14,491,606
Equity per share attributable to owners of the Company *(RMB)*	**4.996**	4.739

ANALYSIS OF OPERATING RESULTS

Revenue

The Group's net revenue for the year amounted to RMB7,806,743,000 (2018: RMB6,820,997,000), representing a year-on-year increase of 14.45%, of which:

(1) The net toll roads and bridges income was RMB3,899,438,000 (2018: RMB3,567,976,000), representing a year-on-year increase of 9.29%, which was mainly due to: (1) the impact of policies (to be specific, the toll to be collected would be calculated based on the weight-based-tolling rates for cargo vehicles resumed from 15 January 2019), and the policy on toll bases on downward classification was no longer be executed for passenger vehicles of 20 to 30 seats; (2) the natural growth of traffic volume as driven by the macroeconomic development of regions along the expressways, especially Chengren Expressway, which has been integrated into the integrated development of Chengdu due to Renshou County's development, and is located in Chengdu's "half-hour" economic circle, leading to a result that local economy has developed rapidly and truck revenue has increased significantly. As a result of the foregoing, the toll income (before deduction of turnover taxes) of Chengyu Expressway, Chengren Expressway, Suiguang-Suixi Expressways increased at a faster pace, with the year-on-year increases of 13.74%, 18.08%, 17.68% and 52.54%. 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) The net revenue of city operations segment was RMB1,987,349,000 (2018: RMB1,258,133,000), representing a year-on-year increase of 57.96%, which was mainly due to: (1) construction contract revenue (before deduction of turnover taxes) in respect of service concession arrangements was RMB1,348,375,000 (2018: RMB688,171,000), representing a year-on-year increase of 95.94%, which was the construction contract revenue from the project for expansion construction of Chengle Expressway recognized under the input method; (2) construction contract revenue (before deduction of turnover taxes) in respect of construction works performed for third parties amounted to RMB302,126,000 (2018: RMB376,323,000), representing a year-on-year decrease of 19.72%, which was the construction contract revenue from the Ziyang Jiaozi Avenue project recognized under the input method. The decrease in the construction contract revenue in respect of construction works performed for third parties during the year was mainly due to the fact that as Renshou BT

project and other BT projects were all completed and presented for auditing, no output value of the aforesaid projects was recognized for the year; (3) due to the change of control of Sichuan Multimodal United Transportation Investment and Development Co., Ltd. (四川省多式聯運投資發展有限公司), the Company has changed from equity method to cost method since April 2019, and the recognized revenue arising from the consolidation of Sichuan Multimodal United Transportation Investment and Development Co., Ltd. was RMB205,360,000; (4) the revenue of other projects was RMB131,488,000;

(3) The net revenue of financial investment segment was RMB147,321,000 (2018: RMB87,505,000), representing a year-on-year increase of 68.36%, which was mainly due to the increase in the amount of financial leasing projects, the increase in rental income and the increase in new combined factoring business income;

(4) The net revenue of energy investment segment was RMB1,772,635,000 (2018: RMB1,907,383,000), representing a year-on-year decrease of 7.06%, which was mainly due to the year-on-year decrease in sales of chemical products of this year.

Other Income and Gains

The Group's other income and gains for the year amounted to RMB269,107,000 (2018: RMB239,154,000), representing a year-on-year increase of 12.52%. This was mainly due to the year-on-year increase of the interest income on bank deposits of this year by RMB36,734,000. In addition, increases at varied levels were also recorded in respect of interest income of construction contracts, gains and losses from changes in fair value of financial assets at fair value through profit or loss for the holding period and income from compensation for road property.

Operating Expenses

The Group's operating expenses for the year amounted to RMB5,917,272,000 (2018: RMB5,131,344,000), representing a year-on-year increase of 15.32%, of which:

(1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB1,348,375,000 (2018: RMB688,171,000), representing a year-on-year increase of 95.94%. This mainly included construction contract costs recognized for Chengle Expressway Expansion Construction Project;

(2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB237,825,000 (2018: RMB333,794,000), representing a year-on-year decrease of 28.75%. This mainly included the construction contract costs of the Ziyang Jiaozi Avenue project;

(3) Depreciation and a mortization expenses increased by 1.20% from RMB860,425,000 for the last year to RMB870,759,000 for the year, mainly attributable to the increase of amortization for service concession arrangements and right-of-use assets;

(4) The cost of sales of refined oil and other products was RMB1,555,010,000 (2018: RMB1,728,815,000), representing a decrease of 10.05% over the last year, which was mainly due to the decrease in the sales of chemical products and the corresponding decrease in sales costs during the year;

(5) Staff costs increased by 12.64% from RMB700,066,000 for the same period last year to RMB788,550,000 for the year, mainly due to (1) the increase in expenses for employees' salary after the change of consolidation scope as a result of the adding of three subsidiaries (or sub-subsidiary), namely, Sichuan Multimodal United Transportation Investment and Development Co., Ltd., Sichuan Chengyu Commercial Factoring Company Limited and Sichuan Chengyu Education Investment Co., Ltd. to the combined statements for the year; (2) the nature increase in expenses for employees' salary resulting from the rigid increase of labor costs and the higher percentage of enterprise annuity fund provided during the Reporting Period as compared to that of the same period last year;

(6) Repair and maintenance costs increased by 35.30% from RMB374,647,000 for the same period last year to RMB506,909,000, being the daily maintenance costs of the ancillary facilities of all expressways of the Group;

(7) Loss on disposal and write-off of items of properties, plants and equipment and service concession arrangements amounted to RMB32,967,000, representing an increase of RMB29,006,000 over the last year;

(8) Provision/(reversal) of bad debt provision of other receivables amounted to RMB13,260,000, representing an increase of RMB24,391,000 over the last year.

Finance Costs

The Group's finance costs for the year amounted to RMB828,244,000 (including: expensed interest expenses of RMB723,554,000), representing an increase of 0.21% as compared with RMB826,530,000 (including: expensed interest expenses of RMB777,174,000) for the same period last year, mainly due to the higher of the size of interest-bearing liabilities and capital cost of the finance lease item.

Income Tax

The income tax expense of the Group for the year amounted to RMB330,250,000, representing an increase of approximately 8.60% as compared with RMB304,086,000 for the year of 2018, mainly due to the change in profit.

Profit

The Group's profit for the year amounted to RMB1,133,289,000, representing an increase of approximately 25.67% as compared with RMB901,826,000 for the same period last year, of which the profit attributable to owners of the Company was RMB1,086,131,000, representing an increase of 27.83% as compared to the same period last year. This was mainly due to:

(1) During the year, the economic growth in regions along the expressways has led to an increase in demand for regional transportation, especially for freight transportation on the one hand; as driven by the toll collection policy, toll income of most expressways under the Group grew at different levels as compared to the same period last year, on the other hand. Net toll income of the Group's expressway business increased by RMB331,462,000 as compared with the same period of last year. Profit of the toll roads and bridges segment was approximately RMB1,308,814,000, representing a year-on-year increase of approximately RMB215,707,000;

(2) Profit of the city operation segment for the year amounted to approximately RMB151,144,000, representing an increase of approximately RMB78,336,000 as compared with the same period last year, which was mainly due to the fact that in last year, the preliminary expenses capital of Ziyang Jiaozi Avenue project occupying the interest income was recognized because it did not reach the conditions of being recognized as output value and the project completed the construction and acceptance, the relevant output value of which was recognized for the year;

(3) Profit of the financial investment segment for the year amounted to approximately RMB44,577,000, representing a decrease of RMB4,190,000 as compared with the same period last year, which was mainly due to the decrease in the recognized investment income from Renshou Bank;

(4) Profit of the energy investment segment for the year amounted to approximately RMB150,474,000, representing an increase of approximately RMB32,149,000 as compared with the same period last year, mainly due to the increase in the gross profit margin of the refined oil product due to the market pricing adjustment.

ANALYSIS OF FINANCIAL POSITION

Non-current Assets

As at 31 December 2019, the Group's non-current assets amounted to RMB28,950,380,000, representing an increase of RMB693,006,000 as compared with the end of 2018, mainly attributable to:

(1) An increase of RMB612,801,000 in service concession arrangements which included an increase of approximately RMB1,372,940,000 from Chengle Expressway Expansion Construction Project, the disposal of service concession arrangements of approximately RMB15,856,000 and the provision for amortization of service concession arrangements of approximately RMB744,283,000;

(2) An increase of RMB458,490,000 in right-of-use assets. The Group adopted new leasing standards from 1 January 2019, pursuant to which, the Group accounted for the assets previously recognized under operating leases as right-of-use assets and reclassified the project assets previously recognized under prepaid land lease payments into right-of-use assets;

(3) A decrease of RMB546,200,000 in investment in associates and joint ventures, mainly due to (1) the decrease of RMB510,212,000 in the carrying amount of Sichuan Multimodal United Transportation Investment and Development Co., Ltd. as it was accounted for by cost method instead of equity method commencing from April 2019 and consolidated into the combined statements of the Group after the change of its controlling right; (2) the decrease in carrying amount after the recovery of cost and investment income in a total amount of RMB186,040,000 after the termination of the water project initiated by Chengyu Development Fund during the year; (3) the new increase of RMB71,050,000 in the investments in CCI International Supply Chain Management Co., Ltd. (成都交投國際供應鏈管理有限公司) during the year; (4) the additional capital of RMB66,750,000 in Chengyu Development Fund for the year; and (5) the new increase of RMB2,842,000 in the investment of China Trancomm Network Technologies Co., Ltd. (中交通信網絡科技有限公司);

(4) An increase of RMB48,652,000 in financial assets at fair value through other comprehensive income, which was mainly due to the Group's acquisition of 10,271,703 additional shares in China Everbright Bank at a cost of RMB39,802,000 in the secondary market during the year; in addition, there was a cumulative effect of RMB8,847,000 arising from changes of fair value for the year;

(5) An increase of approximately RMB29,102,000 in restricted bank deposits, which were mostly security deposits for mortgage of real estate projects;

(6) An increase of RMB478,130,000 in loans to customers;

(7) A decrease of RMB8,478,000 in long term compensation receivables;

(8) An increase of RMB198,244,000 in property, plant and equipment;

(9) A decrease of approximately RMB316,702,000 in contract assets and contract cost, mainly due to the completion and settlement of construction contracts services.

Current Assets and Current Liabilities

As at 31 December 2019 , the current assets of the Group amounted to RMB8,910,194,000 representing an increase of 14.56% as compared with the end of 2018, mainly attributable to:

(1) A decrease of RMB705,716,000 in the balance of cash and cash equivalents as compared with the end of 2018, mainly due to the decrease in new loans and increase of loan repayment for the year;

(2) An increase of approximately RMB308,311,000 in loan to customers due within one year compared with the end of 2018, mainly due to the increase in financial leasing funds receivable (recovery by instalment);

(3) Trade and other receivables increased by RMB1,134,610,000 as compared to the end of 2018, mainly due to an increase in trade receivables (including bills receivable), other receivables and prepayment of RMB928,582,000, RMB178,402,000 and RMB27,626,000 respectively;

(4) An increase of approximately RMB399,065,000 in property under development as compared with the end of 2018, mainly due to an increase of development costs;

(5) An increase of approximately RMB38,078,000 in inventories as compared with the end of 2018;

(6) A decrease of RMB1,258,000 in pledged time deposits as compared with the end of 2018;

(7) An increase of RMB73,933,000 in financial assets designated at fair value through current loss and profit as compared with the end of 2018.

As at 31 December 2019, the Group's current liabilities amounted to RMB7,395,309,000, representing an increase of 40.14% as compared with the end of 2018, mainly attributable to an increase of RMB237,535,000 in trade and other payables, an increase of RMB512,805,000 in contract liabilities; a decrease of RMB4,399,000 in shareholders dividend payable; an increase of approximately RMB4,904,000 in tax payable; an increase of approximately RMB1,367,283,000 in interest-bearing bank and other loans and non-current liabilities due within one year, mainly due to the repayment of approximately RMB2,028,554,000 of short-term borrowings and long-term borrowings due within one year during the year; approximately RMB500,000,000 of new current loans, an increase in the reclassification of approximately RMB3,298,077,000 of interest-bearing bank and other loans reclassified as due within one year and transfer-out of the bonds and other loans previously reclassified as due within one year in an amount of RMB290,000,000 and RMB112,240,000 according to their due time.

Non-current Liabilities

As at 31 December 2019, the non-current liabilities of the Group amounted to RMB14,311,297,000, representing a decrease of 9.84% as compared with the end of 2018, which was principally attributable to a decrease of approximately RMB2,072,537,000 in bank and other interest-bearing loans as compared with that of the end of last year. In particular, the increase in bank and other interest-bearing loans amounted to approximately RMB1,623,300,000, and the amount reclassified as current liabilities amounted to approximately RMB3,298,077,000 during the year, the early repayment of part of long-term borrowings amounted to RMB800,000,000 and the transfer-out of the bonds and other loans previously reclassified as due within one year amounted to RMB290,000,000 and RMB112,240,000, respectively, according to their due time; The contract liabilities for the year amounted to approximately RMB521,469,000, representing an increase as compared with the same period last year, which was mainly due to the fact that the advances received in real estate projects increased.

Equity

As at 31 December 2019, the Group's equity amounted to RMB16,153,968,000 representing an increase of 8.53% as compared with the end of 2018, mainly attributable to: (1) profit of RMB1,133,289,000 for the year, which increased the equity; (2) an increase in equity of RMB6,552,000 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 2018 declared in the year amounting to RMB305,806,000, which decreased the equity; (4) payment of dividends of RMB54,669,000 to non-controlling shareholders, which decreased the equity; and (5) consolidation of subsidiaries, which increased the carrying value of non-controlling interests of RMB490,203,000.

Capital Structure

As at 31 December 2019, the Group had total assets of RMB37,860,574,000 and total liabilities of RMB21,706,606,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 57.33% (31 December 2018: 58.69%).

Cash Flow

As at 31 December 2019, the cash and bank balances of the Group amounted to RMB2,951,704,000, representing a decrease of approximately RMB705,716,000 as compared with the end of 2018. It comprised approximately HKD155,000 (equivalent to approximately RMB132,000) deposits in HK$, and RMB2,951,572,000 cash and deposits in Renminbi.

During the year, net cash inflow from operating activities of the Group amounted to RMB607,204,000 (2018: RMB1,939,479,000), representing a decrease of RMB1,332,275,000 in cash inflows compared with the same period last year, which was mainly because: profit before tax increased by RMB257,627,000 as compared with the same period last year; the new service concession arrangements resulted in an increase of RMB660,204,000 in cash outflows for the year as compared with the same period last year; the increase in properties under development resulted in an increase of RMB229,712,000 in cash outflows for the year as compared with the same period last year; the decrease in the properties held for sale resulted in a decrease of RMB68,718,000 in cash inflows compared with the same period last year; the payment of mortgage security resulted in an increase in cash outflows of RMB29,102,000; cash outflows from loans to customers increased by RMB478,464,000 compared with the same period last year; the increase in trade receivables and other receivables resulted in an increase of RMB1,545,119,000 in net cash outflow for the year compared with the same period last year; the decrease in contract assets and contract costs resulted in a decrease of RMB876,844,000 in the cash outflows for the year compared with the same period last year; the increase in contract liabilities resulted in an increase of RMB630,409,000 in the net cash inflows for the year compared with the same period last year; the increase in trade payables and other payables resulted in an increase of RMB114,293,000 in cash inflows for the year compared with the same period last year.

Net cash inflow used in investing activities of the Group amounted to RMB689,180,000 (2018: RMB536,992,000), with an increase in net cash inflow of RMB1,226,172,000 compared with the same period last year. It was mainly due to the increase of RMB249,542,000 in cash outflow for the purchase of fixed assets as compared with last year caused by the increase in new work projects related to the removal of inter-provincial toll stations during the year; the presentation of the cash and bank balances of Intermodal Transportation Company in an amount of RMB943,534,000 as cash received from investing activities on the date of consolidation as a result of the changes in the consolidation scope during the year; the recovery of investment costs of RMB150,000,000 and investment income of RMB36,040,000 due to the termination of the water project of Chengyu Development Fund; the cash expenditure on the investment in associates and joint ventures during the year amounted to RMB140,642,000, representing a decrease of RMB369,358,000 as compared with the expenditure on similar equity investment in the same period last year, mainly attributable to the increase of RMB71,050,000 in investment in CCI International Supply Chain Management Co., Ltd.* (成都交投國際供應鏈管理有限公司), RMB66,750,000 in investment in Chengyu Development Fund, RMB2,842,000 in investment in China Transport Telecommunication Network Technology Co., Ltd. (中交通信網絡科技有限公司); the Company participated in the placement of 11,839,000 shares by A-share IPO strategic investor of CRCC with a distribution cost of RMB69,258,000, increase in shareholding in China Everbright Bank by acquisition of 10,271,703 shares from the secondary market at a cost of RMB39,802,000 during the year (the equity investment in the last year amounted to RMB585,000,000, which was mainly due to contribution to establish Multimodal United Transportation Company and the capital increase in Sichuan Trading Construction Engineering Co., Ltd.); the receipt of dividend income of RMB6,621,000 during the year of holding financial assets at fair value through other comprehensive income during the year; the decrease in pledged time deposits resulted in a decrease of RMB8,378,000 in cash inflows compared with the same period last year.

Net cash outflow used in financing activities was RMB2,002,100,000 (2018: RMB464,320,000), representing an increase in net cash outflow of RMB1,537,780,000 as compared with the same period last year, which was mainly due to a decrease of RMB1,277,142,000 in cash inflow from new bank loans and other loans as compared with the same period last year; an increase of RMB309,959,000 in cash outflow from repayment of bank loans, medium term notes and other loans and payment of lease principal as compared with the same period last year; an increase of RMB10,485,000 in cash outflow from dividend paid to the owners of the Company compared with the same period last year; a decrease of RMB6,814,000 in cash outflow from dividend paid to non-controlling shareholders as compared with the same period last year, a decrease of RMB77,596,000 in cash outflow from interest paid compared with the same period last year.

Capital Commitments

Details of the Group's capital commitments as at 31 December 2019 are set out in note 35 to the financial statements.

Exchange Fluctuations Risks

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

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

Borrowings and Solvency

As at 31 December 2019, the Company's bank and other interest-bearing borrowings amounted to RMB16,851,939,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB14,015,993,000, with annual interest rates ranging from 3.65% to 6.40%; the balance of other loans amounted to RMB345,946,000, with annual interest rate ranging from 6.175% to 7.8%; the balance of medium-term notes amounted to RMB1,490,000,000, with coupon interest rates ranging from 3.65% to 6.30% per annum; the balance of corporate bonds amounted to RMB1,000,000,000, with an coupon interest rate of 3.56% per annum. The relevant balances are set out as follows:

	Interest-Bearing Bank and other Loans			
	Total amount	**Within 1 year**	**From 1 year to 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans form domestic banks	14,015,993	2,294,489	4,103,198	7,618,306
Other loans	345,946	47,314	214,975	83,657
Medium-term notes	1,490,000	1,200,000	290,000	
Corporate bonds	1,000,000		1,000,000	
Total (as at 31 December 2019)	16,851,939	3,541,803	5,608,173	7,701,963
Total (as at 31 December 2018)	17,557,193	2,174,520	7,391,018	7,991,655

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB50,829 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 on 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 2019, the balance of the syndicated loan for the project amounted to RMB2,381 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 of RMB8,330 million. Such loan is specially used for construction of Suiguang-Suixi Expressways BOT Project. As at 31 December 2019, the balance of the syndicated loan for the project amounted to RMB7,910 million.

Pledge of assets

As at 31 December 2019, the Group's time deposits of RMB15,000,000 (31 December 2018: RMB16,258,000) was pledged for the performance guarantee of road construction project; mortgage security of RMB29,024,000 was provided for North Town Times Project (31 December 2018: nil); the concession right to collect toll pertaining to Chengle Expressway with net carrying value of RMB3,689,688,000 (2018: nil) was pledged to secure the syndicated loan amounting to RMB800,000,000 (2018: nil); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,639,158,000 (31 December 2018: RMB6,816,504,000) was pledged to secure the syndicated loan amounting to RMB2,381,264,000 (31 December 2018: RMB2,948,398,000); the concession right to collect toll pertaining to Suiguang- Suixi Expressways with net carrying value of RMB11,817,261,000 (31 December 2018: RMB11,967,716,000) was pledged to secure the syndicated loan amounting to RMB7,910,000,000 (31 December 2018: RMB8,110,000,000); loans to customers with net carrying value of RMB863,212,000 (31 December 2018: RMB253,123,000) were used for the pledge of bank loans amounting to RMB659,729,000 (31 December 2018: RMB220,295,000); and the land use right with a total carrying value of RMB859,600,000 (31 December 2018: RMB360,500,000) was pledged to secure bank loans amounting to RMB205,000,000 (31 December 2018: RMB100,000,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2019.

Contingent liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities.

III. BUSINESS DEVELOPMENT PLAN

Based on the analysis and conclusion of the operating conditions of the Company during the Reporting Period, combined with the forecast and judgement of the economic situation, policy environment and development status of the industry and the Company in 2020, we have formulated the following work plan around the overall development plan of the Thirteenth Five-Year Plan and the specific business objectives of 2020:

(1) Firmly establish the core foundation and consolidate the fundamental position of the expressway businesses. The Group will accelerate the adaption to the adjustment of toll collection mode under the reform of toll expressway system and improve the quality and effectiveness of operated expressway projects so as to continue to improve the quality and standard of its service supply system and strengthen the operation management ability of the principal business. Around expressway road network plan in Sichuan and even around the nation, the Company will increase the investment in the newly-built expressway with obvious location advantage and relatively good prospective returns and will expand the renovation of stock road network resources of the Company. The Company will focus on the expressway businesses and actively implement "go global" strategy of transport main business, carry out asset acquisition of the built high-quality expressway projects inside and outside the province by taking advantage of the Company's stable cash flow and low-cost financing so as to continue to strengthen the core principal business; in response to the major adjustments to expressway toll models and under the guidance of competent business departments, the Company will enhance the upgrading of technical facilities and the training of skills of management, and continuously improve the modernization standard of toll road operations and management; during the epidemic prevention and control period, based on the overall situation of serving the society and economy for their stable development, the Company will strictly implement various toll-free policies, support enterprises to resume work and production, and help promote social and economic recovery. At the same time, it will actively communicate with the competent authorities and pay close attention to the implementation period of toll-free policies and the supporting safeguard measures, highlight cost control with focus on quality and efficiency improvement to effectively ensure the efficient and orderly production and operation, and spare no effort to reduce the impact of toll-free policies on its principal businesses.

(2) Rely on high-quality road network resource of the principal business and consolidate and strengthen relevant diversified businesses. Based on the focus on its principal businesses, the Group will expand its business scope, consolidate and strengthen the existing industrial layout and pay attention to the implementation of the existing projects so that to improve the return rate and capability against risk of project funds by relying on the advantages, such as traffic flow, logistics, population and cash flow provided by high-quality road network resource. Meantime, it will target the new demand and seek new business opportunities for expanding the investment layout of trend industries and sunrise industries and actively level up the relevant diversified businesses.

(3) Improve capital operation efficiency and advance the optimization of capital composition. The Company will carry out dynamic and precise solvency analysis and calculation and combined with the fund demand plan of expansion businesses, make overall arrangement for financing solutions and regulate and control fund composition and its proportion comprehensively under the current repayment period and future project period. Additionally, in response to toll free policy during the epidemic prevention and control period, it will make good use of the financial, fiscal, tax and other preferential policies to actively strive for obtaining the low-interest loans from banks, financial interest discount, deferred interest payments, etc., equally take advantage of various financing tools to open up low- cost financing channels, make proper adjustments to its debt level and liability composition and effectively reduce finance costs. Moreover, it will strengthen the fund guarantee for the key projects and combined with the provincial and overseas key projects, closely focus on the interest rate market and foreign exchange market, compare the best in different directions and select the financial mode and channel rationally. It will promote the deep cooperation between banks and companies and project parties, improve the bargaining ability with the financial institutions and accumulate and conclude the financing experiences.

(4) Comprehensively strengthen budget management and cost control and intensively promote the results of cost reduction. In response to the toll-free policies implemented during the epidemic prevention and control period, all departments within the Company shall make joint efforts to strictly adhere to the target for cost budget control, strengthen the rigid implementation of the overall budget, strictly check the unit price review, design change, contract management and other key matters, and effectively carry out the overall arrangements and structural optimization for costs and expenses of the Company so as to improve the cost- effectiveness, and strive to minimize the impact of the epidemic. Furthermore, it will firmly focus on refined management in construction, maintenance, operation and maintenance, energy consumption and other fields and keep an eye on the entire process of various expenses to search the vulnerable link with waste of resources and low efficiency, grasp details and implement precise strategies, and effectively launch the cost-reduction measures that can optimize the process and system and enhance the effectiveness.

(5) Innovate system and mechanism reform to strengthen the vitality and competitiveness of the enterprise. The Group will establish a dynamic and competitive talent system to maximize the motivation, initiative and creativity of employees for continuously exploring and improving the long-term incentive mechanism compatible to the development of the Company. In addition, it will strengthen talent training, infuse employees with new ideas of reform and development, new skills in line with the facts and new knowledge of operation management. Moreover, it will uphold the strategy of "strengthening enterprises through talents", pay high attention to the construction of a core team and the training of reserved personnel for future appointment, and build a management team brave in innovation and adept at learning.

Gan Yongyi
Chairman and General Manager

Chengdu, Sichuan Province, the PRC
30 March 2020

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. During the Reporting Period and up to the date of this annual report, the Company has adopted and complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Stock Exchange except for the deviations as shown below.

1. Provision A.6.7 under the Corporate Governance Code Mr. Zhou Liming was unable to attend the extraordinary general meeting of the Company held on 21 February 2019 due to important business engagement. Mr. Tang Yong, Mr. Huang Bin and Mr. Ni Shilin failed to attend the 2018 annual general meeting of the Company held on 5 June 2019 and the 2019 second extraordinary general meeting of the Company held on 13 November 2019 due to important business engagements. Mr. Wang Shuanming, Mr. Sun Huibi, Mr. Guo Yuanxi and Mr. Yu Haizong was unable to attend the 2019 second extraordinary general meeting of the Company held on 13 November 2019 due to important business engagements.

2. Provision A.2.1 under the Corporate Governance Code On 31 December 2019, Mr. Zhou Liming tendered his resignation as a chairman of the Company due to work adjustment. On 17 January 2020, Mr. Gan Yongyi was selected as the chairman of the Company at the Third Meeting of the Seventh Session of the Board of the Company. Since then, Mr. Gan Yongyi serves as the chairman and the general manager of the Company, which deviates the requirement of the Corporate Governance Code stating that "the roles of chairman and chief executive should be separate and should not be performed by the same individual." Mr. Gan Yongyi is a professional expert in road and bridge transportation and has held the positions of the Company since 2001 till now. Mr. Gan Yongyi always complies with the rules of procedures and decision-making of the board of directors, knows the overall strategy and operation management of the Company, clears and complies with the responsibilities of the board of directors and management and the division of authority. He is currently the appropriate candidate of the chairman, which no violates the Article of Association of the Company. The Company will identify suitable candidates for the position of general manager as soon as possible and make further announcement(s) in due course.

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. 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

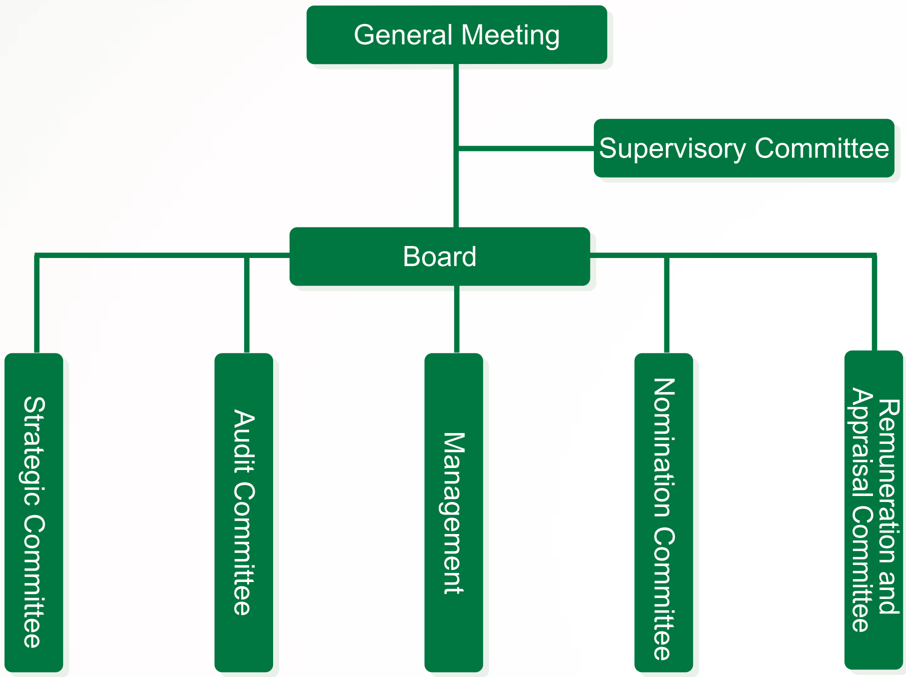
After years of operation and development, the Company has established a relatively comprehensive risk management and internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its risk 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 2018. In 2019, the Company solidly advanced internal control to ensure that the overall operation of the Company's internal control system was good. For the purpose of regulating and strengthening the internal control of the Company, improving the internal control system and further consolidating the foundation of rules and regulations serving the business development of the Company, the Company revised and supplemented the relevant contents of the Internal Control Manual and formulated the new version of the Internal Control Manual based on the changes in the actual conditions about the organizational structure and development plans of the Company in recent years. The new version of the Internal Control Manual was considered and approved at the Twenty-fifth Meeting of the Sixth Session of the Board of the Company.

Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2019, 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 2019, 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 2019	21 February 2019	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	2018 Annual General Meeting	5 June 2019	1.	Resolution in relation to the registration and issuance of debt financing instruments for non-financial enterprises and related matters;	All the resolutions were duly considered and passed
			2.	Resolution in relation to profit distribution and dividend distribution plan of the Company for the year 2018 ;	
			3.	Resolution in relation to the work report of the Board for the year 2018 ;	
			4.	Resolution in relation to work report of the Supervisory Committee of the Company for the year 2018 ;	
			5.	Resolution in relation to the duty performance report of independent Directors for the year 2018 ;	
			6.	Resolution in relation to the 2018 domestic and overseas annual reports and their summaries;	
			7.	Resolution in relation to the Company's financial budget for the year of 2019;	
			8.	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 2019;	
			9.	Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2019;	
			10.	Resolution in relation to consider and approve the remuneration scheme of He Zhuqin:	
			11.	Resolution in relation to the supplement of a Director;	

No.	Session and Number of Meeting	Date of Meeting	Name of Resolutions	Resolutions
3	2nd extraordinary general meeting in 2019	13 November 2019	1. To consider and approve the remuneration scheme of Mr. Zhou Liming as: not receive remuneration from the Company for his position as executive director. 2. To consider and approve the remuneration scheme of Mr. Gan Yongyi, Mr. Luo Maoquan and Mr. He Zhuqin as: not receive remuneration from the Company for their position as director in the Company, but receive it for their position as management of the Group. The Board was authorized by the general meeting to determine the remuneration after considering the opinion of the Remuneration and Appraisal Committee in accordance with relevant polices and the uniform standards set by the Company. 3. To consider and approve the remuneration scheme of Mr. Ni Shilin, Mr. You Zhiming, Mr. Li Wenhu and Mr. Li Chengyong as: not receive remuneration from the Company for his position as non-executive director. 4. To consider and approve the remuneration scheme of Madam. Liu Lina, Mr. Gao Jinkang, Mr. Yan Qixiang and Madam Bu Danlu as: receive fixed remuneration RMB80,000 per year(including taxation). 5. To consider and approve the remuneration scheme of Mr. Feng Bin as: receive remuneration in accordance with relevant polices and the uniform standards set by the Company.	All the resolutions were duly considered and passed

No.	Session and Number of Meeting	Date of Meeting	Name of Resolutions	Resolutions
			6. To consider and approve the remuneration scheme of Mr. Ling Xiyun, Mr. Wang Yao and Mr. Meng Jie as: not receive remuneration from the Company for his position as supervisor.	
			7. To consider and approve the remuneration scheme of the supervisors of the seventh board of supervisors of the Company as: not receive remuneration from the Company for their positions as supervisors in the Company, but for their other positions in the Company. The remuneration shall be calculated in accordance with relevant polices and the uniform standards set by the Company.	
			8. To consider and approve the service contracts of the Directors and Supervisors and other relevant documents and authorize the Board to determine the amendments made prior to the finalization of such documents, and authorize any executive director to sign the service contracts of the Directors and Supervisors and other relevant documents on behalf of the company, and to handle all other relevant matters;	
			9. Resolution in relation to the election of non-independent Directors;	
			10. Resolution in relation to the election of independent Directors;	
			11. Resolution in relation to the election of Supervisors.	

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.

2. *Composition*

As at 31 December 2019, the Board consisted of 12 Directors[Note]. It was the seventh session of the Board since the establishment of the Company. The term of office of the Directors commenced from 13 November 2019 or from the date on which the Directors were elected. As at the date of this annual 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 seventh 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 legislation, 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.

Note: Mr. Zhou Liming resigned as the Director of the Company on 31 December 2019.

3. Meetings of the Board

During the Year, the Board of the Company convened a total of 8 Board meetings in view of the needs of the operation and business development of the Company. Board meetings and 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 there from shall be borne by the Company.

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

Directors

1. Appointment

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

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 2019, 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**
Gan Yongyi	✔	✔
Luo Maoquan	✔	✔
Ni Shilin	✔	✔
He Zhuqing	✔	✔
You Zhiming	✔	✔
Li Wenhu	✔	✔
Li Chengyong	✔	✔
Liu Lina	✔	✔
Gao Jinkang	✔	✔
Yan Qixiang	✔	✔
Bu Danlu	✔	✔
Zhou Liming (Retired)	✔	✔
Zheng Haijun (Retired)	✔	✔
Tang Yong (Retired)	✔	✔
Huang Bin (Retired)	✔	✔
Wang Shuanming (Retired)	✔	✔
Sun Huibi (Retired)	✔	✔
Guo Yuanxi (Retired)	✔	✔
Yu Haizong (Retired)	✔	✔

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 2019, 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
Gan Yongyi	8	8	1	0	8/8	3/3
Luo Maoquan	8	8	1	0	8/8	3/3
Ni Shilin	8	6	5	2	6/8	1/3
He Zhuqing	6	6	0	0	6/6	1/1
You Zhiming	2	2	0	0	2/2	0/0
Li Wenhu	2	2	0	0	2/2	0/0
Li Chengyong	2	2	0	0	2/2	0/0
Liu Lina	8	8	1	0	8/8	3/3
Gao Jinkang	2	2	0	0	2/2	0/0
Yan Qixiang	2	2	0	0	2/2	0/0
Bu Danlu	2	2	0	0	2/2	0/0
Zhou Liming (Retired)	8	8	1	0	8/8	2/3
Zheng Haijun (Retired)	2	1	1	1	1/2	2/2
Tang Yong (Retired)	6	4	1	2	4/6	1/3
Huang Bin (Retired)	6	5	1	1	5/6	1/3
Wang Shuanming (Retired)	6	6	1	0	6/6	2/3
Sun Huibi (Retired)	6	6	1	0	6/6	2/3
Guo Yuanxi (Retired)	6	6	1	0	6/6	2/3
Yu Haizong (Retired)	6	6	1	0	6/6	2/3

Number of Board meetings held during the Year		8
Of which:	Number of physical meetings	3
	Number of meetings held via communications	1
	Number of meetings held by way of combination of both	4

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 2019, 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 (excluding Employee's Representative Supervisor(s)) and senior management of the Company are determined in accordance with relevant PRC policies or regulations, the Company's actual situation, and meanwhile taking his/her job responsibilities, risk assumed and contribution into consideration. The Board (considering the opinions of the Remuneration and Appraisal Committee) and the Supervisory Committee may make suggestions on the remunerations schemes for Directors, Supervisors (excluding Employee's Representative Supervisor(s)) and senior management and approval at the general meeting. The incentive (if any), individual awards (if any) and allowances for the aforesaid staff on his/her term of office 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 2019 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 2019 to 13 November 2019 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	✔	3/3	–	–
Gan Yongyi	Executive Director	–	–	✔	1/1	–	–	✔	3/3
Sun Huibi	Independent non-executive Director	–	–	–	–	*	3/3	–	–
Guo Yuanxi	Independent non-executive Director	✔	5/5	–	–	✔	3/3	–	–
Yu Haizong	Independent non-executive Director	*	5/5	–	–	–	–	✔	3/3
Liu Lina	Independent non-executive Director	✔	5/5	✔	1/1	–	–	*	3/3

The composition and duty performance of the committees during the period from 13 November 2019 to 31 December 2019 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	–	–
Gan Yongyi	Executive Director	–	–	✔	–	–	–	✔	1/1
Liu Lina	Independent nonexecutive Director	✔	1/1	✔	–	–	–	*	1/1
Yan Qixiang	Independent nonexecutive Director	✔	1/1	–	–	✔	1/1	–	–
Gao Jinkang	Independent nonexecutive Director	–	–	–	–	*	1/1	–	–
Bu Danlu	Independent nonexecutive Director	*	1/1	–	–	–	–	✔	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 2019 as follows:

Written Report of the Audit Committee

The Audit Committee convened 6 meetings in 2019 and 2 meetings in 2020 (as of the date of this annual 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 16th 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 annual 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 2018 annual financial statements and unaudited financial statements for the first half year of 2019 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2019 (according to the PRC GAAP), and making approval suggestions to the Board.

(2) Before the annual audit of 2019, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2019 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 2020 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 2020 second meeting to consider the 2019 annual audit report of the Company and considered that the Group's 2019 annual financial statements can truly and correctly reflect the operation results of the Group for the year 2019, and the financial position as of 31 December 2019. 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 2018 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 2019 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*

(1) The Audit Committee appraised the audit work and performance capacity of the Company's PRC auditor, Shinewing Certified Public Accountants (Special General Partnership) in 2019 from the following aspects:

a. Professional competence

Shinewing Certified Public Accountants (Special General Partnership) (hereinafter referred to as "**Shinewing**") holds the practising certificate as an accounting firm and have the qualification in auditing business and other businesses, and all the members therein are China Certified Public Accountants with a wealth of financial auditing experiences.

During the Reporting Period, Shinewing had a smooth communication with the management and the Audit Committee, maintained a higher standard in giving professional opinions, and in audit quality and efficiency of financial information disclosure, as such, it possessed stronger professional capacity.

b. Investor protection capacity

In 2018, the accumulative compensation limit for the occupational liability insurance purchased by Shinewing was RMB150 million. As of December 31, 2019, the balance of occupational risk was RMB185.9 million, which shall cover the civil liability for compensation arising from the audit failure.

c. Independence and integrity

There is no circumstance in breaching the independence requirement under China Code of Ethics for Certified Public Accountants (《中國註冊會計師職業道德守則》) by Shinewing and its practitioners. In the past three years, Shinewing has received one administrative punishment and six administrative regulatory measures from securities regulatory authorities, and was not subject to criminal treatment and self-discipline regulatory measures. Relevant matters did not have any impact on the provision of audit services to the Company by Shinewing.

The Audit Committee considered that Shinewing appointed by the Company as the PRC auditor of the Company for the year 2019 had good performance in terms of professional competence, investor protection capacity, independence and integrity, etc. The Board was recommended to re-appoint Shinewing as the PRC auditor of the Company for the year 2020.

(2) The Audit Committee considered that Ernst & Young Certified Public Accountants appointed by the Company as the international auditor for the year 2019 had good performance in terms of independence and objectivity, professional technical level, auditing quality and efficiency of financial information disclosure, communication results with the management and the Audit Committee, etc. The Board was recommended to re-appoint Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2020.

Bu Danlu, Liu Lina, Yan Qixiang
Members of the Audit Committee

30 March 2020

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 this year, the Strategic Committee carefully considered the Company's investment in the Tianfu New Area-Qionglai Expressway Project and related matters. Strategic Committee is unanimous that the project is in line with the "13th five-year" development strategic plan of Sichuan Expressway, which is conducive to the Company's continuous punning of the principal business development, strengthening the competitive advantage of toll road and bridge sector. It agreed the Company to invest in the Tianfu New Area-Qionglai Expressway Project, as well as all matters and actions required for the project.

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; the addition of Directors to the Board, the change of the Board, appointment and re-appointment senior management and other matters during the Reporting Period were proposed to the Board on the basis of taking the principle of diversity into consideration; the Nomination Committee also 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 carefully reviewed the service contracts proposed to be entered into in relation to the addition of Directors to the Board, the change of the Board, appointment and re-appointment senior management and other matters and submitted the remuneration suggestions to the Board by reference to market level and in combination of the actual situations of the Company and the candidates, which were approved by the Board. The Remuneration and Appraisal Committee also 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 2019.

III. SUPERVISORY MECHANISM

(I) Supervisory Committee

As at 31 December 2019, the Supervisory Committee of the Company comprises 6 Supervisors, and is the seventh session of the Supervisory Committee since establishment of the Company. The term of office of Supervisors commenced from 13 November 2019 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 7 meetings in total. Except that Mr. Meng Jie was unable to attend the first meeting of the seventh session of the Supervisory Committee held on 13 November 2019 due to important business engagement, other 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. During the Reporting Period, all members of the Supervisory Committee, except those with important business engagement, 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 2019 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

	2019		2018	
Items(Note)	**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	**1,300**	**2,010**	1,220	1,960
Audit fee of internal control	**300**	**–**	300	–

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 2019 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 2020 respectively were approved by the Board and will be presented at the 2019 AGM for consideration and approval.

(IV) Information Disclosure and Investor Relations

Information disclosure

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

During the Reporting Period, the Company released 4 periodic reports and 56 announcements concerning A Shares and 94 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 2019.

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 2019 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	144.2km	1 January 2000
Chengren Expressway*(Note)*	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*(Note)*	Jixiang Town Fushanba/Taiping interchange	67.644km	9 October 2016
Suiguang Expressway*(Note)*	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 2020; Suixi Expressway and Suiguang Expressway are currently on trial for toll collection until 31 March 2020 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 2019, 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 and 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 2020; Suixi Expressway and Suiguang Expressway are currently on trial for toll collection until 31 March 2020 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.

c. *Adjustment of fee collection method*

From 1 January 2020, all the inter-provincial toll stations alongside expressways in China have been removed, the system of non-stop toll collection system has been officially used, and the significant adjustment of the expressway toll collection mode has brought new challenges to the management of toll roads of the Company. Firstly, at the beginning of the launch of new toll system, there were some technical and operational problems in actual operation process, which tested the performance of the Company's equipment and facilities and the technical level of managers; secondly, under the ETC toll mode, the unstable factors in the sorting system have an increasing impact on toll revenue, and at the same time, it has increased the difficulty in the inspection of toll. Moreover, the Company will face the problem of transferring a large number of charging personnel to other posts due to the fact that electronic toll has significantly replaced the manual toll.

(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, acquisition of completed quality expressway assets 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. In addition, upon the completion of the grid-connected switching of the toll system, the Company actively reported to and communicated with the business department and the settlement center, strengthened the upgrading of the toll system and continuously improved the operating process of system and regulations, so as to improve the modernization level of the operation and management of toll roads; the Company carried out a series of job-transfer training to toll-collection staff in a timely manner, and coordinated the deployment and completed the resettlement work properly on the basis of respecting the willingness of toll collectors and in combination with the actual situation of each company within the Group.

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 latest Planning of Sichuan Province Expressway Network (2019–2035) (《四川省高速公路網規劃(2019–2035年)》), the expressway mileage in the province will reach 16,100 kilometers by 2035. During the latter part of the Thirteenth Five-Year Plan period and the Fourteenth Five-Year Plan period, Sichuan will continue to accelerate the construction of inter-provincial channels, urban agglomeration channels and "bottleneck" roads to promote the expressway to maintain a certain development speed. After the implementation of the plan, a provincial expressway network of "one trunk and multiple rings radiating, multiple branches with high-efficiency networking and convenient connection of ecological demonstration areas (一干多環放射、多支高效聯網、生態示範區便捷連通") will be built to support the basic formation of "123 travel circles in the country", with the density of the provincial highway network reaching 3.31km/100km^2. 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 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 and repairment 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 the Company's 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 30 March 2020. Details about the environmental policy and performances, please refer to the "2019 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 RMB5,039,000.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the financial conditions of the Company and the Group at that date are set out in the audited financial statements on pages 120 to 236 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 2019 of RMB0.11 per share of ordinary shares (tax inclusive), aggregating to approximately RMB336,387,000 and representing 48.81% of the distributable profit of the Company determined under PRC GAAP for the year and 31.07% 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 2019 AGM. If approved, the final dividend is expected to be paid on or around Tuesday, 14 July 2020 to the Shareholders whose names appear on the H Shares register of members of the Company on Thursday, 18 June 2020 (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 2019 AGM and to receive the proposed 2019 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 and pay 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 and paying 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/or 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 and pay the corporate income tax in strict compliance with the relevant regulations or provisions 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 and paying 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 and paid 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, assets and 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				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Profit before tax	**1,463,539**	1,205,912	1,310,527	1,436,843	1,375,341
Income tax expense	**(330,250)**	(304,086)	(329,373)	(294,950)	(270,128)
PROFIT FOR THE YEAR	**1,133,289**	901,826	981,154	1,141,893	1,105,213
Other comprehensive income/(loss), net of tax	**6,552**	(12,635)	1,903	(4,487)	(8,702)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,139,841**	889,191	983,057	1,137,406	1,096,511
Profit attributable to:					
Owners of the Company	**1,086,131**	849,638	894,376	1,056,584	1,006,586
Non-controlling interests	**47,158**	52,188	86,778	85,309	98,627
	1,133,289	901,826	981,154	1,141,893	1,105,213
Comprehensive income attributable to:					
Owners of the Company	**1,092,098**	837,030	896,279	1,052,097	997,884
Non-controlling interests	**47,743**	52,161	86,778	85,309	98,627
	1,139,841	889,191	983,057	1,137,406	1,096,511

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**37,860,574**	36,035,058	34,265,735	36,351,121	33,458,356
TOTAL LIABILITIES	**(21,706,606)**	(21,150,659)	(19,981,022)	(22,467,089)	(20,161,708)
NON-CONTROLLING INTERESTS	**(876,070)**	(392,793)	(390,639)	(559,829)	(777,382)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**15,277,898**	14,491,606	13,894,074	13,324,203	12,519,266

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 registered 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 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB5,194,633,000, The Company's distributable reserves as at 31 December 2019 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 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 service vendors and the proportion over total purchases for the year is listed as below:

No.	**Name**	**Purchase** *RMB'000*	**Percentage over the total annual** *(%)*
1	Sichuan Trading Construction Engineering Co., Ltd.	1,824,780	25
2	PetroChina Company Limited Sichuan Sales Chengdu Branch, Ziyang Branch and etc.	1,071,368	15
3	China Construction Eighth Engineering Division. Corp. Ltd. (中國建築第八工程局有限公司)	249,517	3
4	Chengdu Yinlong Oil Material Trading Co., Ltd. (成都銀龍油料貿易有限公司)	219,965	3
5	Sinopec Sales Company Limited Sichuan Chengdu Petroleum Branch (中國石化銷售股份有限公司四川成都石油分公司)	205,919	3
Total		3,571,549	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

As at 31 December 2019, the Directors and Supervisors of the Company were:

Executive Directors:
Mr. Zhou Liming *(Chairman)*[1]
Mr. Gan Yongyi *(Vice Chairman, General Manager)*[2]
Mr. Luo Maoquan *(Deputy General Manager)*
Mr. He Zhuqing

Non-executive Directors:[3]
Mr. Ni Shilin *(Vice Chairman)*
Mr. You Zhiming[6]
Mr. Li Wenhu[6]
Mr. Li Chengyong[6]

Independent non-executive Directors:[4]
Madam Liu Lina
Mr. Gao Jinkang[6]
Mr. Yan Qixiang[6]
Madam Bu Danlu[6]

Supervisors:[5]
Mr. Feng Bing[6]
Mr. Meng Jie[6]
Mr. Ling Xiyun[6]
Mr. Wang Yao[6]
Madam Li Tao
Mr. Hu Yaosheng

Note:

1. On 31 December 2019, Mr. Zhou Liming resigned as the Chairman and a Director and other positions of the seventh session of the Board of Directors of the Company.

2. On 17 January 2020, Mr. Gan Yongyi was elected as the Chairman of the seventh of the Board of Directors of the Company at the third meeting of the seventh session of the Board of Directors of the Company.

3. On 13 November 2019, Mr. Tang Yong, Mr. Huang Bin and Mr. Wang Shuanming resigned as non-executive Directors of the Company.

4. On 13 November 2019, Mr. Sun Huibi, Mr. Guo Yuanxi and Mr. Yu Haizong resigned as independent non-executive Directors of the Company.

5. On 13 November 2019, Mr. Ouyang Huajie and Mr. Lin Binhai resigned as Supervisors of the Company.

6. Appointed on 13 November 2019.

All the members of the Board and Supervisory Committee of the Company were appointed for a term of three years from the date of 13 November 2019 until expiry of the seventh session of the Board and the Supervisory Committee on 12 November 2022.

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 and Senior Management" 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 2019, 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 *(Note)*	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
Luo Maoquan	A Shares	Long position	10,000	0.0003%	0.0005%	Beneficial owner

Note: On 31 December 2019, Mr. Zhou Liming resigned as the Chairman and a Director and other positions of the seventh session of the Board of Directors of the Company.

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 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 2019, 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	1,035,915,462	33.87%	47.90%	Beneficial owner
	H Shares	Long Position	60,854,200	1.99%	6.80%	Beneficial owner
		Total:	1,096,769,662	35.86%	–	Beneficial owner
China Merchant Expressway Company	A Shares	Long Position	664,487,376	21.73%	30.72%	Beneficial owner
	H Shares	Long Position	96,268,000	3.15%	10.75%	Interest in controlled corporation(Note)
		Total:	760,755,376	24.88%		

Note: Cornerstone Holdings Limited is wholly owned by China Merchant 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 2019, 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 annual 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 under 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 24 June 2019, Commercial Factoring Company entered into Factoring Business Agreement (I) and Factoring Business Agreement (II) with each of Sichuan Transportation Investment Supply Chain Technology Company Limited* (四川交投供應鏈科技有限公司) ("**Transportation Investment Supply Chain**") and Chengdu Sichuan Transportation Xinrong Construction Engineering Company Limited* (成都川交欣榮建設工程有限公司) ("**Xinrong Construction**"), respectively. As at the date of the announcement, STIG was the controlling shareholder of the Company holding approximately 35.33% of its issued share capital. Transportation Investment Supply Chain and Xinrong Construction were indirect subsidiaries and associates of STIG, and are therefore connected persons of the Company under Rule 14A.07(4) of the Listing Rules.

(b) On 23 December 2019, the Consortium Members, being China Merchants Expressway, China Merchants Union (BVI) Limited("**CMU**"), Zhejiang Expressway Co., Ltd. ("**Zhejiang Expressway**"), Jiangsu Expressway Company Limited ("**Jiangsu Expressway**"), Anhui Expressway Company Limited ("**Anhui Expressway**") and the Company, entered into the Cooperation Agreement for the formation of the Joint Venture through joint contribution for the purpose of acquiring 51% of the shares and the corresponding portion of shareholder loans of the Target Companies, pursuant to which, the total amount of capital to be injected into the Joint Venture by the Consortium Members shall be US$688.5 million. The Consortium Members, being China Merchants Expressway, CMU, Zhejiang Expressway, Jiangsu Expressway, Anhui Expressway and the Company through their respective wholly-owned subsidiaries incorporated in Hong Kong, will contribute approximately US$213.4 million, US$137.7 million, US$120.5 million, US$120.5 million, US$48.2 million and US$48.2 million in the Joint Venture, respectively, holding 31%, 20%, 17.5%, 17.5%, 7% and 7% of the equity interest in the Joint Venture, respectively. As China Merchants Expressway is the substantial shareholder of the Company, and is therefore a connected person of the Company under Rule 14A.07 of the Listing Rules.

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 with Zhineng Company 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 with Zhineng Company 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. On 29 November 2018, the Company renewed the service agreement with Zhineng Company 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. During the year, the Group paid a total of approximately RMB16,081,000 (2018: RMB14,686,000) to Zhineng Company as service fee.

(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. On 1 October 2019, the tenancy agreement was extended at RMB2,442,000 per annum to 31 December 2021. During the year, the rental received from STIG Group amounted to RMB2,442,000 (2018: RMB2,442,000).

(c) On 30 October 2018, the Company and STIG 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 RMB1,824,780,000(2018: RMB670,123,000), which was below the annual cap amount of RMB5,120,000,000.

As the Previous Construction Framework Agreement entered into between the Company and STIG expired on 31 December 2019, the Company and STIG entered into a construction framework agreement on 7 November 2019, 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 2020 to 31 December 2020.

(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 mainly included raw materials, machinery and electronic equipment for various infrastructure construction projects, and other raw materials and equipment. The cumulative purchase amount recognised during the year amounted to RMB661,000 (2018: RMB652,000), which was below the annual 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. 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. Purchase amount recognised during the year approximate to RMB1,071,365,000 (2018: RMB1,021,483,000), which was below the cap amount of 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 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. 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. Sales commission recognised during 2019 amounted to RMB17,392,000 (2018: RMB14,912,000), which was below the cap amount of RMB45,000,000 for the year. Sichuan Trading Real Estate is an indirect wholly-owned subsidiary of STIG.

(g) 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. On 30 October 2019, Zhonglu Energy Company, PetroChina Yanchang Petroleum Sales Co., Ltd., entered into Chemical Products Agreement. Zhonglu Energy Company agreed to purchase a variety of chemical products from PetroChina Yanchang Petroleum Sales Co., Ltd. from 30 October 2019 to 31 December 2019. Purchase amount recognised during the period approximate to RMB84,990,000 (2018:RMB234,890,000), which was below the cap amount of RM100,000,000. PetroChina Company Limited holds 49% equity interests in Zhonglu Energy Company and 40% equity interests in PetroChina Yanchang Petroleum Sales Co., Ltd..

Further details of the Group's connected transactions during the year are included in note 37 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 annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 43 to the financial statements, which constitutes part of the Report of the Directors.

AUDITORS

For the year ended 31 December 2019, Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young acted as auditors of the Company. The Company has not changed its auditors in the past three years.

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 2019 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 2019 AGM and to receive the 2019 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 2019 AGM

Deadline for lodging transfer documents	4:30 p.m. on 4 May 2020 (Monday)
Closure period of the H Shares register of members	From 5 May 2020 (Tuesday) to 3 June 2020 (Wednesday) (both days inclusive)
Record date	3 June 2020 (Wednesday)
Date of the 2019 AGM	3 June 2020 (Wednesday)

(b) In respect of the entitlement to 2019 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 12 June 2020 (Friday)
Closure period of the H Shares register	From 13 June 2020 (Saturday) to 18 June 2020 (Thursday) (both days inclusive)
Dividend Entitlement Date	18 June 2020 (Thursday)

In order to be entitled to attend and vote at the 2019 AGM, and to receive the 2019 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 the distribution of 2019 final dividend to the holders of A Shares and eligibility of the holders of A Shares for attending the 2019 AGM.

ON BEHALF OF THE BOARD

Gan Yongyi
Chairman

Chengdu, Sichuan Province, the PRC
30 March 2020

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND 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)*
Gan Yongyi	Male	56	From March 2001 to present	Vice Chairman, Executive Director and General Manager[1]	54.61
Luo Maoquan	Male	55	From December 2006 to present	Executive Director and Deputy General Manager	43.46
Ni Shilin	Male	53	From August 2015 to present	Non-executive Director and Vice Chairman[2]	0
He Zhuqing	Male	43	From December 2013 to present	Executive Director[3]	43.46
You Zhiming	Male	47	From November 2019 to present	Non-executive Director	0
Li Wenhu	Male	42	From November 2019 to present	Non-executive Director	0
Li Chengyong	Male	39	From November 2019 to present	Non-executive Director	0
Liu Lina	Female	62	From July 2016 to present	Independent Non-executive Director	8
Gao Jinkang	Male	56	From November 2019 to present	Independent Non-executive Director	1.04
Yan Qixiang	Male	48	From November 2019 to present	Independent Non-executive Director	1.04
Bu Danlu	Female	41	From November 2019 to present	Independent Non-executive Director	1.04
Feng Bing	Male	57	From June 2005 to present	Chairman of Supervisory Committee	54.11
Meng Jie	Male	42	From July 2016 to present	Supervisor	0
Ling Xiyun	Male	55	From November 2019 to present	Supervisor	0
Wang Yao	Male	47	From November 2019 to present	Supervisor	0
Li Tao	Female	48	From November 1997 to present	Supervisor	43.15
Hu Yaosheng	Male	43	From February 2004 to present	Supervisor	43.33
Liu Junjie	Male	56	From February 2009 to present	Deputy General Manager	44.17
Heibilayi	Male	34	From September 2019 to present	Deputy General Manager	10.86
Zhang Yongnian	Male	57	From August 1997 to present	Secretary to the Board	43.96
Tian Yi	Male	52	From December 2014 to present	Secretary of Discipline Inspection Commission	47.08
Guo Renrong	Male	47	From October 2017 to present	Financial Controller	43.46
Luo Zuyi	Male	46	From April 1998 to present	Member of the Party Committee	43.96
Zhou Liming (resigned)	Male	56	From September 2002 to December 2019	Chairman and Executive Director	0

Notes:

(1) Mr. Gan Yongyi serves as the executive Director, Chairman and general manager of the Company from 17 January 2020.

(2) Mr. Ni Shilin serves as the Vice Chairman and non-executive Director of the Company from 5 June 2019.

(3) Mr. He Zhuqing resigned as the Deputy General Manager of the Company from 8 May 2019 and serves as the executive Director of the Company from 5 June 2019.

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)*
Zheng Haijun (resigned)	Male	61	From July 2016 to June 2019	Vice Chairman and Non-executive Director	0
Tang Yong (resigned)	Male	56	From March 2007 to November 2019	Non-executive Director	0
Huang Bin (resigned)	Male	52	From March 2013 to November 2019	Non-executive Director	0
Ouyang Huajie (resigned)	Male	51	From March 2007 to November 2019	Supervisor	0
Lin Binhai (resigned)	Male	61	From August 2002 to November 2019	Supervisor, deputy secretary of Party Committee and Chairman of Labor Union[4]	10.69
Wang Shuanming (resigned)	Male	60	From March 2007 to November 2019	Non-executive Director	0
Sun Huibi (resigned)	Male	75	From March 2013 to November 2019	Independent Non-executive Director	6.96
Guo Yuanxi (resigned)	Male	69	From March 2013 to November 2019	Independent Non-executive Director	6.96
Yu Haizong (resigned)	Male	55	From March 2013 to November 2019	Independent Non-executive Director	6.96

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

Notes:

(4) Mr. Lin Binhai resigned as the deputy secretary of Party Committee and Chairman of Labor Union of the Company on 4 March 2019 and resigned as the Supervisor of the Company on 13 November 2019.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 4 March 2019, Mr. Lin Binhai resigned from his positions of deputy secretary of Party Committee and chairman of trade union of the Company due to his retirement.

On 28 March 2019, the nomination of Mr. He Zhuqing as a candidate for executive Director of the sixth session of the Board was considered and approved at the 25th meeting of the sixth session of the Board; on 8 May 2019, Mr. He Zhuqing resigned as the Deputy General Manager of the Company due to job re-allocation; on 5 June 2019, the resolution on election of Mr. He Zhuqing as an executive Director of the sixth session of the Board was considered and approved at the 2018 annual general meeting of the Company.

On 5 June 2019, Mr. Zheng Haijun resigned from his positions of Director and Vice Chairman of the Company of the sixth session of the Board due to his retirement.

On 5 June 2019, it was resolved to elect Mr. Ni Shilin as the Vice Chairman of the sixth session of the Board at the 27th meeting of the sixth session of the Board.

On 26 September 2019, it was resolved to appoint Mr. Heibilayi as the Deputy General Manager of the Company at the 29th meeting of the sixth session of the Board.

On 25 October 2019, it was resolved to elect Madam Li Tao as the Chairman of Labor Union and staff supervisor of the seventh session of Supervisor Committee of the Company at the first meeting of the labour union member representative and employee representative meeting of the fifth session of the Company.

The second extraordinary general meeting of the Company was convened on 13 November 2019. Mr. Tang Yong, Mr. Huang Bing and Mr. Wang Shuangming, the non-executive Directors of the Board of the Company, Mr. Sun Huibi, Mr. Guo Yuanxi and Mr. Yu Haizong, the independent non-executive Directors, and Mr. Ouyang Huajie and Mr. Lin Binhai, the supervisors of the Company retired as the Directors or supervisors of the Company due to the expiry of the terms.

On 13 November 2019, the appointments of Mr. You Zhiming, Mr. Li Wenhu and Mr. Li Chengyong as the non-executive Directors of the Company, Mr. Gao Jinkang, Mr. Yan Qixiang and Madam Bu Danlu as the independent non-executive Directors of the Company, Mr. Ling Xiyun and Mr. Wang Yao as the supervisors of the Company were considered and approved at the 2019 second extraordinary general meeting of the Company.

On 31 December 2019, Mr. Zhou Liming resigned from his positions of the Chairman, Director, and director of the strategy committee of the Board, member of the nomination committee of the Board and all other positions due to job re-allocation.

On 17 January 2020, the election of Mr. Gan Yongyi as the Chairman of the Board of the Company was considered and approved at the 3rd meeting of the seventh session of the Board.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Zhou Liming, aged 56, graduated from Southwest Jiaotong University and Sichuan 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 deputy chairman, general manager and director 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 deputy party secretary, vice chairman, the general manager and director of STIG, a chairman of Chengbei Company, an adjunct professor of Southwest Jiaotong University. On 31 December 2019, he resigned from the positions of Chairman and Director of the seventh session of the Board, Director of the Strategy Committee of the Board and member of the Nomination Committee of the Board of the Company.

Mr. Gan Yongyi, aged 56, graduated from Chongqing Jiaotong College with a bachelor degree in civil engineering of road and bridge transportation and from Sichuan University with a master 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 & 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), Deputy General Manager and Deputy Chairman of the Company. Mr. Gan is currently a vice chairman of Airport Expressway Company, a General Manager of the Company and an executive Director and Chairman of the seventh session of the Board of the Company.

Mr. Luo Maoquan, aged 55, 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, office 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 and Director of Trading Construction Company. He is currently the director of Chengbei Company, Chengya Oil Company, the Deputy General Manager of the Company and an executive Director of the seventh session of the Board of the Company.

Mr. Ni Shilin, aged 53, 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 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 and Deputy Chairman of the seventh session of the Board of the Company.

Mr. He Zhuqing, aged 43, 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, 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, Executive Director and Deputy General Manager of the Company. He is currently the head of Overseas Business Department of STIG Group, a chairman of Chengyu Financial Leasing Company and a director of Chengyu Jianxin Fund Company, the chairman of Zhongxin Company and an executive Director of the seventh session of the Board of the Company.

Mr. You Zhiming, aged 47, successively graduated from Neijiang Teachers College* (內江師範專科學校) and the Party School of Sichuan Provincial Committee of the Chinese Communist Party with a postgraduate degree, and is a political engineer* (政工師). He successively served as a teacher and the secretary of the League Committee of Jiajia High School of Jianyang City, the deputy secretary and the secretary of Jianyang Municipal Committee of the Communist Youth League of China, the secretary of the Party Committee of Pingquan Town of Jianyang City, a cadre of Ziyang Urban Planning and Development Bureau, the chief of the Village and Town Construction Section and the Urban-rural Planning and Management Section, the director of the Municipal Surveying and Mapping Office, the deputy director of the Management Committee of Ziyang Economic Development Zone of Sichuan, the deputy chief executive, a standing member of the District Committee, the chief of the Organization Department and the principal of the Party School of the Yanjiang District Government of Ziyang City, the director and the secretary of the Leading Party Members' Group of Ziyang Supply and Marketing Cooperatives. He currently serves as the chief of the Organization Department (Human Resources Department) of Party Committee of STIG, the director of the Office of the Remuneration and Appraisal Committee of Sichuan Transportation Investment Group Corporation Limited, and a non-executive Director of the seventh session of the Board of the Company.

Mr. Li Wenhu, aged 42, successively graduated from Changsha Industry Polytechnic* (長沙工業高等專科學校) and Southwestern University of Finance and Economics with a MBA degree. He is an accountant, a senior economist and a certified public accountant. He has worked at Xitieshan Mining Bureau of China National Non Ferrous Metal Corporation, successively serving as the chief accountant of Hubei Hanjiang Branch of Western Mining, the director of the Financial Department of Laohekou Hanjiang Branch of Western Mining, the person in charge of the Financial Department of Sichuan Xiasai Silver Co., Ltd.* (四川夏塞銀業有限責任公司), Sichuan Huidong Daliang Mining Co., Ltd.* (四川會東大梁礦業有限公司) and Bayannur Western Mining Co., Ltd. of Western Mining* (西部礦業巴彥淖爾西部銅業有限公司), the deputy chief of the Financial Management Department (Fund Management Center) of STIG and the person in charge of Interim Working Group for Advancing Reform of Sichuan Transportation Investment Group Corporation Limited; the financial controller and a member of the Party Committee of the Company, a director of Chengyu Financial Leasing Company and CSI SCE, and the chairman and legal representative of Chengyu CCB Fund Company (成渝建信基金公司). He is currently the chief of the Investment and Development Department and Capital Operation Department, the director of the Office of Investment Review Committee of Sichuan Transportation Investment Group Corporation Limited, the chairman and legal representative of Sichuan Trading Investment and Development Company Limited* (四川交投創新投資發展有限公司), and a non-executive Director of the seventh session of the Board of the Company.

Mr. Li Chengyong, aged 39, graduated from the department of finance and economics of Chongqing Jiaotong College with a bachelor's degree and is a senior accountant. He has successively serves as the head of the Finance Department of Chengdu Municipal Development Company* (成都市市政開發總公司), deputy chief of the Planning and Finance Section of Chengdu Urban Road and Bridge Management Office* (成都市城市道路橋樑管理處) and business executive of the Asset Management and Audit Department of STIG. He currently acts as a director of Sichuan Transportation Investment Innovation Development Co., Ltd* (四川交投創新投資發展有限公司), the deputy director of Financial Management Department (fund management center) of STIG and a non-executive Director of the seventh session of the Board of the Company.

Madam Liu Lina, aged 62, 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. She currently serves as an independent non-executive Director of the seventh session of the Board of the Company.

Mr. Gao Jinkang, aged 56, successively graduated from Southwest University of Political Science & Law and Southwestern University of Finance and Economics, holds a doctor degree and is a professor and doctoral supervisor. He has successively served as a deputy director and director of the Department of Law and the dean of the School of Law of Southwestern University of Finance and Economics. He is currently the director of the China Financial Law Research Center, the Sichuan Provincial Key Research Base of Philosophy and Social Sciences, Southwest University of Finance and Economics, and an independent non-executive Director of the seventh session of the Board of the Company.

Mr. Yan Qixiang, aged 48, successively graduated from Sichuan University and Southwest Jiaotong University, holds a doctor degree and possesses postdoctoral experience, and is a professor and doctoral supervisor. He currently serves as the director of the Department of Geotechnical Engineering of the School of Civil Engineering of Southwest Jiaotong University, an executive deputy director of the Key Laboratory of Transportation Tunnel Engineering of Ministry of Education, and an independent non-executive Director of the seventh session of the Board of the Company.

Madam Bu Danlu, aged 41, graduated from Southwestern University of Finance and Economics with a doctor degree, and is a professor, doctoral supervisor, certified public accountant and certified tax agent. She was selected into the fifth National Leading Accounting Talents Program of the Ministry of Finance (Academic), and a member of the first and the second Consulting Committee of Corporate Accounting Standard of the Ministry of Finance. She has successively served as a lecturer and an associated professor of Southwestern University of Finance and Economics. She currently acts as a professor of the School of Accounting of Southwestern University of Finance and Economics, an independent director of Chengdu Raise Environmental Protection Technology Co., Ltd* (成都銳思環保技術股份有限公司) and of the fourth Board of Directors of Sichuan Nitrocell Co., Ltd., and an independent non-executive Director of the seventh session of the Board of the Company.

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

Mr. Feng Bing, aged 57, 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). He is currently the Chairman of the seventh session of the Supervisory Committee of the Company.

Mr. Meng Jie, aged 42, 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, and 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 seventh session of the Supervisory Committee of the Company.

Mr. Ling Xiyun, aged 55, graduated from the Department of Marine Transportation Management of Shanghai Maritime University with a Bachelor Degree and is a senior accountant. He successively served as the deputy director (in charge) and director of Finance Department of Sichuan Chengnan Expressway Limited Liability Company* (四川成南高速公路有限責任公司), the manager of Finance Department of Sichuan Chengnan Expressway Limited Liability Company, the manager of Finance Department of Sichuan Chengnan Expressway Limited Liability Company (the Centre Zone of Sichuan), the chief accountant of Sichuan Zhineng Transportation System Management Company Limited* (四川智能交通系統管理有限公司) and the deputy head of Financial Finance Assets Department and the deputy head and head of Asset Management Audit Department of STIG. He is currently the employee supervisor, the head of Audit and Legal Department and the office director of Internal Control & Audit Committee of STIG and a Supervisor of the seventh session of the Supervisory Committee of the Company.

Mr. Wang Yao, aged 47, successively graduated from Faculty of Chinese Language of Sichuan University and the Law School of the Southwest University of Finance and Economics with a Master Degree. He successively served as the chief of Secretarial Division of Administrative Office, the deputy director and the director of Administrative Office and the manager of Human Resources Department of Sichuan Expressway Construction and Development. He is currently the head of Supervisor Works Department of STIG and a Supervisor of the seventh session of the Supervisory Committee of the Company.

Madam Li Tao, aged 48, successively graduated from Sichuan Normal University with a Bachelor of Arts degree and from Sichuan University of Economy and Trade with an MBA degree. She worked at Sixth Engineering Office of Sichuan Chuanjiao Bridge Engineering Company Limited (四川省川交橋樑工程有限責任公司). She successively served as the deputy secretary and secretary of Youth League Committee, and the director of the Party Committee Office, the General Manager's Office and the General Office (Publicity Center) of the Company. She currently serves as a supervisor of Chengle Company, a staff Supervisor of the seventh session of the Supervisory Committee, Chairman of the labour union and a member of the Party Committee of the Company.

Mr. Hu Yaosheng, aged 43, 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 the chairman of the Supervisory Committee of Renshou Trading Landmark Company and Multimodal United Transportation Company, the head of the Discipline Inspection and Supervision (Audit) Department of the Company and a staff Supervisor of the seventh 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.

Madam Li Tao, please refer to the biographies of Supervisors.

Mr. Liu Junjie, aged 56, 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 Lixian 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 Multimodal United Transportation Company, and the Deputy General Manager of the Company.

Mr. Heibilayi, aged 34, graduated from Southwest University of Finance and Economics with a bachelor's degree in law. He worked in Chengdu Branch of Pudong Development Bank and served as assistant to the president of Kehua Branch of Pudong Development Bank, vice president and president of Tianfu Branch of Pudong Development Bank. He is currently the Deputy General Manager of the Company.

Mr. Zhang Yongnian, aged 57, 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 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 51, 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 47, holds a 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 STIG; the deputy secretary of Party Committee, 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 supervisor of the Second Session of the Supervisory Committee and the Financial Controller and director of the 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, the Financial Controller and Director of the Fifth Session of Trade Union Funds Review Committee of the Company.

Mr. Luo Zuyi, aged 46, holds an 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 and an executive director of Chengle Company.

(IV) Biographies of directors, supervisors or other senior officers who resign or retire for the Year are as follows:

Mr. Zheng Haijun, aged 61, 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 standing 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. On 5 June 2019, he resigned as the Director and Vice Chairman of the sixth session of the Board of the Company.

Mr Tang Yong, aged 56, 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, the Chairman and Director of the Company. Currently he is a director of STIG, the deputy secretary of Party Committee, vice chairman, and the general manager of Sichuan Provincial Railway Industry Investment Group Co., Ltd. (四川省鐵路產業投資集團), the chairman of Sichuan Expressway Construction and Development. On 13 November 2019, he resigned as a Director of the sixth session of the Board of the Company.

Mr. Huang Bin, aged 52, 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. On 13 November 2019, he resigned as a Director of the sixth session of the Board of the Company.

Mr. Wang Shuanming, aged 60, 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, director and deputy general manager of Sichuan Expressway Construction and Development. He is currently the chief economist of STIG. On 13 November 2019, he resigned as a Director of the sixth session of the Board of the Company.

Mr. Sun Huibi, aged 75, 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, advisor 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). On 13 November 2019, he resigned as an independent non-executive Director of the sixth session of the Board of the Company.

Mr. Guo Yuanxi, aged 69, 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. On 13 November 2019, he resigned as an independent non-executive Director of the sixth session of the Board of the Company.

Mr. Yu Haizong, aged 55, 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). On 13 November 2019, he resigned as an independent non-executive Director of the sixth session of the Board of the Company.

Mr. Ouyang Huajie, aged 51, 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) and the deputy chief accountant of STIG. On 13 November 2019, he resigned as a Supervisor of the sixth session of the Supervisory Committee of the Company.

Mr. Lin Binhai, aged 61, 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 secretary of Party Committee 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, and deputy secretary of Party Committee and Chairman of Labor Union of the Company. On 13 November 2019, he resigned as a staff Supervisor of the sixth session of the Supervisory Committee of the Company.

IV. EMPLOYEES

As at 31 December 2019, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,543
Number of in-service employees of major subsidiaries	1,885
Total number of in-service employees	4,428
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	3,213
Sales	36
Technical	522
Financial	134
Administrative	523
Total	4,428

Educational Level

Type of Education Level	Number of people
Postgraduate	190
University graduate	1,215
Junior college graduate	2,118
Technical secondary school and below	905
Total	4,428

1. *Employees' Remuneration*

The total remuneration of the Company's employees is correlated with the operating results of the Company. Employees' salaries are determined based on their positions and performance. For the year ended 31 December 2019, the employees' salary of the Group totalled approximately RMB543,496,420 of which approximately RMB283,890,890 for the employees of the Company (including its branches).

2. *Employees' Insurance and Welfare*

The Company cherishes employees and protects their lawful interests, 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 15,921 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 7 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 23th Meeting of the sixth session of the Supervisory Committee	28 March 2019	1. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2018;
		2. Resolution in relation to the Scheme of Profit Distribution and Dividend Payment for 2018;
		3. Resolution in relation to the 2018 domestic and overseas annual reports and their summaries;
		4. Resolution in relation to the 2018 Internal Control Evaluation Report;
		5. Resolution in relation to the 2018 Environmental, Social and Governance Report;
		6. Resolution in relation to the 2019 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 2019;
		8. Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2019;
		9. Resolution in relation to adjustment of amortization rate of highway operation right.

Meeting of the Supervisory Committee	Meeting Date	Topics
The 24th Meeting of the sixth session of the Supervisory Committee	29 April 2019	1. Resolution in relation to the 2019 First Quarter Report; 2. Resolution in relation to change of accounting policy.
The 25th Meeting of the sixth session of the Supervisory Committee	28 August 2019	1. Resolution in relation to the unaudited financial report for the six months ended 30 June 2019 and 2019 interim report and its summary; 2. Resolution in relation to not distributing any interim dividend and not transferring capital reserve into share capital in 2019; 3. Resolution in relation to change of accounting policy.
The 26th Meeting of the sixth session of the Supervisory Committee	26 September 2019	1. Resolution in relation to nomination of candidates for supervisors of the seventh session of the Supervisory Committee of the company and suggestion of remuneration for supervisors.
The 27th Meeting of the sixth session of the Supervisory Committee	30 October 2019	1. Resolution in relation to the 2019 Third Quarterly Report; 2. Resolution in relation to the signing of the Construction Connected Transaction Framework Agreement between the Company and STIG; 3. Resolution in relation to the signing of the Connected Transaction Framework Agreement on Purchase of Chemical Products Including Fuel Oil between Zhonglu Energy and PetroChina Yanchang.

Meeting of the Supervisory Committee	Meeting Date	Topics
The 1st Meeting of the seventh session of the Supervisory Committee	13 November 2019	1. Resolution in relation to the appointment of Mr. Feng Bing as the chairman of the seventh session of Supervisory Committee;
		2. Resolution in relation to the signing of Sale and Purchase of Refined Oil Product Connected Transaction Framework Agreement between the Company and PetroChina Sichuan.
The 2nd Meeting of the seventh session of the Supervisory Committee	20 December 2019	1. Resolution in relation to the Company's participation in the acquisition of overseas assets and related transactions.

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 2019, 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	7	7	1	0	7/7	3/3
Meng Jie	7	6	5	1	6/7	2/3
Ling Xiyun	2	2	0	0	2/2	0/0
Wang Yao	2	2	0	0	2/2	0/0
Li Tao	2	2	0	0	2/2	0/0
Hu Yaosheng	7	7	1	0	7/7	3/3
Ouyang Huajie (resigned)	5	5	1	0	5/5	1/3
Lin Binhai (resigned)	5	5	1	0	5/5	2/3

Number of meetings of the Supervisory Committee held during the Year		7
Of which:	Number of physical meetings	2
	Number of meetings held via communications	1
	Number of meetings held by way of combination of both	4

During the Reporting Period, all Supervisors of the Company 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 2019 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 2019 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 2019, the Board had issued the 2019 Assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2019 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 37 to the financial statements, the Company had no other connected transactions during the Reporting Period. In the opinion of the Supervisory Committee, the Company's connected transactions during the Reporting Period were conducted on a just, fair and open basis and at reasonable considerations, and no circumstances were discovered in which insider transactions were involved or the Board breached the principle of good faith in decision-making, execution of agreements or information disclosure, etc.

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

By Order of the Supervisory Committee

Feng Bing
Chairman of the Supervisory Committee

Chengdu, Sichuan, the PRC
30 March 2020

INDEPENDENT AUDITOR'S REPORT

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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 126 to 236, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables, loans to customers and contract assets	
As at 31 December 2019, the Group had trade receivables, loans to customers and contract assets of approximately RMB4,335,639,000. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including the credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, the 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 ("ECL") for the impairment assessment. The accounting policies and disclosures about the impairment assessment for trade receivables, loans to customers and contract assets are included in Notes 2.4, 3, 18, 25, 26 and 40 to the financial statements.	Our audit procedures to assess the impairment of trade receivables, loans to customers and contract assets included the following: • We assessed and tested the design and operating effectiveness of the internal controls over the credit approval and monitoring process and impairment assessments, including the ECL model; • We obtained corroborative evidence including correspondence indicating 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 ECL 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 the 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	
Amortisation of service concession arrangements is calculated under the unit-of-usage method ("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 the total traffic volume involves significant management judgement and estimation, including the expected gross domestic product ("GDP") growth rate and the impact of other road networks within the same area. The accounting policies and disclosures about the assessment on the amortisation of costs of service concession arrangements are included in Notes 2.4, 3 and 13 to the financial statements.	Our audit procedures included the following: • We evaluated the estimated projected total traffic volume of the Group's expressways by focusing 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 networks within the same area, historical accuracy of management's estimates and assessed whether these estimates showed any evidence of management bias; • We interviewed the Group's senior management and understood their process associated with the review of the projected traffic volume against actual traffic volume; • We considered whether the amortisation methodology adopted by the Group best represented the expected future economic benefits of the Group; • We re-measured the amortisation of the toll road operation right to verify the accuracy of the amount in the financial statements; and • We assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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.

- 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.

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
REVENUE	4, 5	**7,806,743**	6,820,997
Cost of sales		**(5,501,537)**	(4,748,521)
Gross profit		**2,305,206**	2,072,476
Other income and gains	5	**269,107**	239,154
Administrative expenses		**(336,776)**	(297,148)
Other expenses		**(78,959)**	(85,675)
Finance costs	6	**(723,554)**	(777,174)
Share of profits and losses of:			
Joint ventures		**(280)**	23,630
Associates		**28,795**	30,649
PROFIT BEFORE TAX	7	**1,463,539**	1,205,912
Income tax expense	9	**(330,250)**	(304,086)
PROFIT FOR THE YEAR		**1,133,289**	901,826
Attributable to:			
Owners of the Company		**1,086,131**	849,638
Non-controlling interests		**47,158**	52,188
		1,133,289	901,826
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**8,850**	(15,109)
Income tax effect		**(2,298)**	2,474
		6,552	(12,635)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**6,552**	(12,635)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,139,841**	889,191

	Notes	2019 RMB'000	2018 RMB'000
Attributable to:			
Owners of the Company		**1,092,098**	837,030
Non-controlling interests		**47,743**	52,161
		1,139,841	889,191
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic and diluted	11	**RMB0.355**	RMB0.278

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**760,079**	561,835
Service concession arrangements	13	**25,423,037**	24,810,236
Right-of-use assets	14	**458,490**	–
Prepaid land lease payments	14	**–**	297,979
Investments in joint ventures	15	**135,374**	765,156
Investments in associates	16	**318,427**	234,845
Equity investments designated at fair value through other comprehensive income	17	**372,789**	324,137
Loans to customers	18	**1,180,772**	702,642
Long term compensation receivables	19	**24,010**	32,488
Payments in advance	20	**49,360**	2,000
Contract assets	25	**10,000**	329,270
Contract costs		**17,480**	14,912
Deferred tax assets	21	**157**	1,726
Interests in land held for property development	22	**156,303**	165,148
Restricted deposits	28	**29,102**	–
Pledged deposits	28	**15,000**	15,000
Total non-current assets		**28,950,380**	28,257,374
CURRENT ASSETS			
Properties under development	23	**2,019,493**	1,620,428
Completed properties held for sale	23	**154,350**	176,002
Inventories	24	**63,841**	25,763
Loans to customers	18	**935,463**	627,152
Trade and other receivables	26	**2,681,172**	1,546,562
Contract assets	25	**21,000**	123,099
Contract costs		**9,238**	–
Financial assets at fair value through profit or loss	27	**73,933**	–
Pledged deposits	28	**–**	1,258
Cash and cash equivalents	28	**2,951,704**	3,657,420
Total current assets		**8,910,194**	7,777,684
CURRENT LIABILITIES			
Tax payable		**70,823**	65,919
Trade and other payables	30	**3,229,995**	2,992,460
Contract liabilities	29	**542,203**	29,398
Dividend payables		**10,485**	14,884
Interest-bearing bank and other borrowings	31	**3,541,803**	2,174,520
Total current liabilities		**7,395,309**	5,277,181
NET CURRENT ASSETS		**1,514,885**	2,500,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,465,265**	30,757,877

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**13,310,136**	15,382,673
Deferred tax liabilities	21	**9,088**	6,175
Contract liabilities	29	**895,936**	374,467
Deferred income	30	**96,137**	110,163
Total non-current liabilities		**14,311,297**	15,873,478
Net assets		**16,153,968**	14,884,399
EQUITY			
Equity attributable to owners of the Company			
Issued capital	32	**3,058,060**	3,058,060
Reserves	33	**12,219,838**	11,433,546
		15,277,898	14,491,606
Non-controlling interests		**876,070**	392,793
Total equity		**16,153,968**	14,884,399

Gan Yongyi
Director

Luo Maoquan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the Company											
	Issued capital *RMB'000* *(note 32)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 33(a))*	Difference arising from changes in non-controlling interests *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000*	Merger difference *RMB'000* *(note 33(b))*	Safety fund reserve *RMB'000* *(note 33(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
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 designated 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

	Attributable to owners of the Company												
	Issued capital RMB'000 (note 32)	Share premium account RMB'000	Statutory surplus reserve RMB'000 (note 33(a))	Difference arising from changes in non-controlling interests RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	General risk reserve RMB'000	Merger difference RMB'000 (note 33(b))	Safety fund reserve RMB'000 (note 33(c))	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Profit for the year	–	–	–	–	–	–	–	–	–	1,086,131	1,086,131	47,158	1,133,289
Other comprehensive income for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	5,967	–	–	–	–	–	5,967	585	6,552
Total comprehensive income for the year	–	–	–	–	5,967	–	–	–	–	1,086,131	1,092,098	47,743	1,139,841
Transfer from/(to) reserves	–	–	506,396	–	–	–	–	–	–	(506,396)	–	–	–
Establishment for safety fund surplus reserve	–	–	–	–	–	–	–	6,048	–	(6,048)	–	–	–
General risk reserve	–	–	–	–	–	990	–	–	–	(990)	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	–	–	–	(5,723)	–	5,723	–	–	–
Acquisition of subsidiaries *(note 36)*	–	–	–	–	–	–	–	–	–	–	–	490,203	490,203
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(54,669)	(54,669)
Final 2018 dividend paid	–	–	–	–	–	–	–	–	–	(305,806)	(305,806)	–	(305,806)
At 31 December 2019	3,058,060	2,654,601*	5,417,299*	(254,570)*	90,628*	990*	(533,123)*	8,471*	32,820*	4,802,722*	15,277,898	876,070	16,153,968

* These reserve accounts comprise the consolidated reserves of RMB12,219,838,000 (2018: RMB11,433,546,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 *RMB'000*	2018 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,463,539**	1,205,912
Adjustments for:			
Finance costs	6	**723,554**	777,174
Share of profits and losses of joint ventures and associates		**(28,515)**	(54,279)
Fair value change on financial assets at fair value through profit or loss		**(3,983)**	–
Depreciation of property, plant and equipment	12	**69,700**	70,276
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	14	**56,776**	32,543
Amortisation of service concession arrangements	13	**744,283**	757,273
Amortisation of other intangible assets		**–**	333
Impairment of completed properties held for sale	23	**1,527**	70,154
Impairment loss on financial assets included in other receivables	7	**13,260**	(11,131)
Loss on disposal of items of property, plant and equipment	7	**32,967**	3,961
Interest income	5	**(186,161)**	(149,651)
Dividend income from equity investments designated at fair value through other comprehensive income	5	**(6,621)**	(6,025)
		2,880,326	2,696,540
Additions to service concession arrangements		**(1,348,375)**	(688,171)
Additions to properties under development		**(377,831)**	(148,119)
Decrease in completed properties held for sale		**20,125**	88,843
Increase in loans to customers		**(786,441)**	(307,977)
Increase in restricted deposits		**(29,102)**	–
Increase in deferred income		**5,854**	26,253
Decrease/(increase) in contract assets and contract costs		**409,563**	(467,281)
Decrease/(increase) in trade and other receivables		**(1,101,562)**	443,557
Decrease/(increase) in inventories		**(38,078)**	11,124
Increase in contract liabilities		**1,034,274**	403,865
Increase in trade and other payables		**166,555**	52,262
Cash from operations		**835,308**	2,110,896
Interest received		**102,763**	145,841
Interest paid		**(7,705)**	–
Income tax paid		**(323,162)**	(317,258)
Net cash flows from operating activities		**607,204**	1,939,479

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(339,613)**	(90,071)
Investments in a joint venture		**(66,750)**	(510,000)
Investments in associates		**(73,892)**	–
Investments in financial assets at fair value through profit or loss		**(70,339)**	–
Investment in equity investments designated at fair value through other comprehensive income		**(39,802)**	(75,000)
Proceeds from disposal of shares of a joint venture		**150,000**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**389**	–
Acquisition of a subsidiary		**943,534**	–
Proceeds from disposal of items of property, plant and equipment and service concession arrangements		**3,920**	5,308
Interest received		**62,709**	46,465
Dividend received from associates		**19,105**	14,645
Dividend received from a joint venture		**36,040**	–
Dividend received from equity investments designated at fair value through other comprehensive income		**6,621**	6,025
Decrease in pledged deposits		**57,258**	65,636
Net cash flows from/(used in) investing activities		**689,180**	(536,992)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(750,695)**	(828,291)
Proceeds from bank loans		**2,059,895**	3,400,442
Repayment of bank loans		**(2,962,595)**	(2,088,896)
Proceeds from a financial lease		**63,405**	–
Repayment of other borrowings		**(26,260)**	–
Repayment of medium term notes		**(10,000)**	(600,000)
Principal portion of lease payments		**(10,976)**	–
Dividends paid to owners of the Company		**(305,806)**	(295,321)
Dividends paid to non-controlling shareholders		**(59,068)**	(52,254)
Net cash flows used in financing activities		**(2,002,100)**	(464,320)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(705,716)**	938,167
Cash and cash equivalents at beginning of year		**3,657,420**	2,719,253
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,951,704**	3,657,420
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,951,704**	3,604,420
Non-pledged time deposits		**–**	53,000
Cash and cash equivalents as stated in the consolidated statement of financial position	28	**2,951,704**	3,657,420

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
- finance 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	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
	RMB'000			
Sichuan Chengle Expressway Company Limited ("Chengle Company")	560,790	100	–	Construction and operation of Chengle Expressway
Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company")	220,000	60	–	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Chengdu Shuhai Investment Management Company Limited	152,773	100	–	Investment holding
Sichuan Shuxia Industrial Company Limited ("Shuxia")	200,000	100	–	Provision of ancillary services and property development

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
	RMB'000			
Sichuan Shunan Investment Management Company Limited	200,000	100	–	Construction project management and construction of roads
Sichuan Suiguang-Suixi Expressway Company Limited	3,573,380	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
Chengyu Financial Leasing Company ("Chengyu Financial Lease")	528,000	44.95	25.05	Finance lease
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

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 Chengyu Commercial Factoring Company Limited ("Commercial Factoring Company")	200,000	–	51	Factoring service
Sichuan Multimodal United Transportation Investment and Development Co. , Ltd.* ("Multimodal United Transportation Company")	1,000,000	51	–	Project investment and investment consultation
Sichuan Chengyu Education Investment Co., Ltd. ("Chengyu Education Company")	480,000	100	–	Education project investment

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 December 2019, 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 2019. 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.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than the amendments to HKFRS9 and HKAS19, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements. The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognize and measure right-of-use assets and lease liabilities, except for certain recognition exemption. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemption for leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were 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 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	489,321
Decrease in prepaid land lease payments	(330,373)
Decrease in trade and other receivables	(2,153)
Increase in total assets	156,795
Liabilities	
Increase in interest-bearing bank and other borrowings	156,795
Increase in total liabilities	156,795
Impact on retained profits	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	224,622
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(8,575)
	216,047
Weighted average incremental borrowing rates as at 1 January 2019	4.75%-4.90%
Discounted operating lease commitments as at 1 January 2019	156,795
Lease liabilities as at 1 January 2019	156,795

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) 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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Since the Group's internal sales were not material, the interpretation did not have any impact on the financial position or performance of the Group.

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*[1]
Amendments to HKFRS 9 , HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption

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. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. 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 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.

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.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its equity investments designated 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 2019 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 (applicable from 1 January 2019)

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	11 to 70 years
Building	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases (applicable before 1 January 2019)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as 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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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)

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 (Continued)

Financial assets at fair value through profit or loss

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.

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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 loans to customers, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

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 borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Properties under development

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and 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

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 with 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(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 has received the payment or the right to receive payment has been established.

(b) Sale of properties

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 properties.

(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 industrial products
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(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(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;

Revenue from other sources

(a) Rental income is recognised on a time proportion basis over the lease terms; Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred; and

(b) Interest income from the commercial factoring and 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 commercial factoring and finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the commercial factoring and 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.

Contract assets

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 assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

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

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.

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 ECLs on trade receivables, loans to customers and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables, loans to customers and contract assets. 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 product) are expected to deteriorate over the next year which can lead to an increased number of defaults, 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 a customer's actual default in the future. The information about the ECLs on the Group's trade receivables, loans to customers and contract assets is disclosed in notes 18, 25 and 26 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

(b) 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.

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use 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.

(d) 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)

(e) Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 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 2019 was RMB258,870,000 (2018: RMB262,369,000). Further details are included in note 17 to the financial statements.

(f) 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 2019 (2018: 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 roads and bridges segment comprises the operation of expressways and a high-grade toll bridge in Mainland China;

(b) the city operation segment comprises the provision of construction and upgrade services under the service concession arrangements and construction contracts, advertising, the rental of properties along expressways, investment and development of properties located in Mainland China and trade sales of commodities;

(c) the financial investment segment comprises finance lease operation, factoring business and financial investment;

(d) the energy investment segment comprises the operation of gas stations along expressways, sale of petrochemicals and other oil products; and

(e) the transportation, tourism, culture and education segment mainly comprises education operations.

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, restricted deposits, cash and cash equivalents, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude dividend payables as these liabilities are managed on a group basis.

During the year ended 31 December 2019, the Group established and acquired certain subsidiaries. Other than the new businesses (transportation, tourism, culture and education) established which are identified as new reportable segments, management has revised other reportable segments and revised the Group's internal reporting, in which the finance related businesses in old segment "Construction contracts" and "Others" were combined into the new segment "Financial investment", the remaining businesses in these two old segments and the businesses in old segment "Property development" were merged into the new segment "City operation", and old segment "Toll operation "and "Sales of products" were renamed to the new segment "Toll roads and bridges" and "Energy investment", respectively. As a result of the changes to reportable segments and segment presentation, the prior year segment information for the year ended 31 December 2018 has been re-presented to conform with the revised presentation.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Toll roads and bridges *RMB'000*	City operation *RMB'000*	Financial investment *RMB'000*	Energy investment *RMB'000*	Transportation, tourism, culture and education *RMB'000*	Total *RMB'000*
SEGMENT REVENUE *(note 5)*	3,899,438	1,987,349	147,321	1,772,635	–	7,806,743
SEGMENT RESULTS	1,308,814	151,144	44,577	150,474	(6)	1,655,003
Reconciliation:						
Unallocated income and gains						145,655
Corporate and other unallocated expenses						(337,119)
Profit before tax						1,463,539
SEGMENT ASSETS	26,755,466	4,850,451	2,562,356	242,362	7,254	34,417,889
Reconciliation:						
Equity investments designated at fair value through other comprehensive income						372,789
Financial assets at fair value through profit or loss						73,933
Deferred tax assets						157
Pledged deposits						15,000
Restricted deposits						29,102
Cash and cash equivalents						2,951,704
Total assets						37,860,574
SEGMENT LIABILITIES	16,892,562	3,380,983	1,372,064	48,344	2,168	21,696,121
Reconciliation:						
Dividend payables						10,485
Total liabilities						21,706,606
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	17,324	30	11,441	–	–	28,795
Share of profits and losses of joint ventures	(217)	–	(63)	–	–	(280)
Interest expenses	631,652	53,937	37,240	719	6	723,554
Depreciation and amortisation	841,701	9,183	3,615	16,175	85	870,759
Investments in associates	76,088	71,080	171,259	–	–	318,427
Investments in joint ventures	132,794	–	2,580	–	–	135,374
Capital expenditure*	1,646,795	14,646	692	1,805	162	1,664,100

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018 (restated)

	Toll roads and bridges *RMB'000*	City operation *RMB'000*	Financial investment *RMB'000*	Energy investment *RMB'000*	Total *RMB'000*
SEGMENT REVENUE *(note 5)*	3,567,976	1,258,133	87,505	1,907,383	6,820,997
SEGMENT RESULTS	1,093,107	72,808	48,767	118,325	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	3,880,153	1,504,854	172,566	32,035,517
Reconciliation:					
Equity investments designated 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	2,163,898	808,144	24,700	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	53,074	23,296	–	777,174
Depreciation and amortisation	840,018	1,497	4,897	14,013	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	6,392	7,662	799,919

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 segment information is presented.

Information about major customers

During the year ended 31 December 2019, 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:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**7,626,806**	6,705,858
Revenue from other sources		
Finance leasing	**143,341**	87,505
Commercial factoring	**3,980**	–
Gross rental income from operating leases:		
other lease payments, including fixed payments	**32,616**	27,634
	179,937	115,139
	7,806,743	6,820,997

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

Segments

	Toll roads and bridges *RMB'000*	City operation *RMB'000*	Financial investment *RMB'000*	Energy investment *RMB'000*	Transportation, tourism, culture and education *RMB'000*	Total *RMB '000*
Type of goods or services						
Toll income	3,899,438	–	–	–	–	3,899,438
Construction services	–	1,650,189	–	–	–	1,650,189
Sale of industrial products	–	205,207	–	1,772,635	–	1,977,842
Property development	–	31,780	–	–	–	31,780
Others	–	67,557	–	–	–	67,557
Total revenue from contracts with customers	3,899,438	1,954,733	–	1,772,635	–	7,626,806

Geographical markets

Revenues under HKFRS 15 are all generated in Mainland China.

Timing of revenue recognition						
Goods transferred at a point in time	3,899,438	304,544	–	1,772,635	–	5,976,617
Services transferred over time	–	1,650,189	–	–	–	1,650,189
Total revenue from contracts with customers	3,899,438	1,954,733	–	1,772,635	–	7,626,806

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2018

Segments

	Toll roads and bridges *RMB'000*	City operation *RMB'000*	Financial investment *RMB'000*	Energy investment *RMB'000*	Total *RMB '000*
Type of goods or services					
Toll income	3,567,976	–	–	–	3,567,976
Construction services	–	1,064,118	–	–	1,064,118
Sale of industrial 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	1,230,499	–	1,907,383	6,705,858

Geographical markets

Revenues under HKFRS 15 were all generated in Mainland China.

Timing of revenue recognition					
Goods transferred at a point in time	3,567,976	166,381	–	1,907,383	5,641,740
Services transferred over time	–	1,064,118	–	–	1,064,118
Total revenue from contracts with customers	3,567,976	1,230,499	–	1,907,383	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:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property development	**31,780**	105,743

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) 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 industrial products

The performance obligation is satisfied upon delivery of the industrial 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 to 3 years 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 the 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 amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**2,661,227**	343,081
After one year	**2,060,252**	374,467
	4,721,479	717,548

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to property development, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Interest income from bank deposits	**62,709**	25,975
Interest income from discounting long-term compensation receivables *(note 19)*	**5,244**	6,101
Interest income arising from revenue contracts	**118,208**	117,575
Rental income from operating leases of other lease payments, including fixed payments	**5,932**	6,043
Government grants*	**14,075**	17,540
Dividend income from equity investments designated at fair value through other comprehensive income *(note 17)*	**6,621**	6,025
Road damage compensation income	**43,042**	40,461
Reversal of bad debt provision	**–**	11,131
Fair value gains on financial assets on at fair value through profit or loss	**3,983**	–
Miscellaneous	**9,293**	8,303
Total other income and gains	**269,107**	239,154

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**720,911**	720,751
Interest on medium term notes	**98,798**	105,779
Interest on lease liabilities *(note14(d))*	**7,705**	–
Interest on finance lease	**830**	–
	828,244	826,530
Less:		
Interest capitalised in respect of:		
– Service concession arrangements (note 13(c))	**(24,565)**	(21,677)
– Properties under development (note 23)	**(12,389)**	(3,739)
Interest recorded under cost of sales	**(67,736)**	(23,940)
	723,554	777,174
Interest rate of borrowing costs capitalised	**4.41%-7.8%**	4.75%

7. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration *(note 8)*):			
Wages and salaries		**532,816**	472,732
Pension scheme contributions			
– Defined contribution fund		**71,485**	67,806
Housing fund			
– Defined contribution fund		**47,029**	41,373
Supplementary pension scheme			
– Defined contribution fund		**18,461**	16,328
Other staff benefits		**118,759**	101,827
Employee benefit expense*		**788,550**	700,066
Depreciation of property, plant and equipment	12	**69,700**	70,276
Amortisation of service concession arrangements	13	**744,283**	757,273
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)	14(a), 14(b)	**56,776**	32,543
Amortisation of other intangible assets		**–**	333
Depreciation and amortisation expenses		**870,759**	860,425
Construction costs in respect of:			
– Service concession arrangements*		**1,348,375**	688,171
– Construction works performed for other parties*		**237,825**	333,794
Construction costs		**1,586,200**	1,021,965
Cost of sales of refined oil and petrochemical products		**1,555,010**	1,728,815
Cost of properties sold		**20,125**	88,843
Cost of finance lease operation		**67,736**	23,940
Repairs and maintenance		**506,909**	374,647
Minimum lease payments under operating leases		**–**	19,768
Lease payments not included in the measurement of lease liabilities	14(d)	**4,716**	–
Impairment of completed properties held for sale	23	**1,527**	70,154
Auditor's remuneration		**3,120**	2,990
Loss on disposal of items of property, plant and equipment and service concession arrangements		**32,967**	3,961
Impairment loss on financial assets included in other receivables	26(c)	**13,260**	(11,131)

* During the year, employee costs of RMB37,464,000 (2018: RMB24,034,000) and depreciation and amortisation charges of RMB2,324,000 (2018: RMB293,000) 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:

	2019	2018
	RMB'000	*RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**2,641**	2,033
Performance related bonus	**–**	–
Pension scheme contributions	**163**	205
Supplementary pension scheme contributions	**235**	96
	3,039	2,334
	3,359	2,654

(a) Independent non-executive directors

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

	2019	2018
	RMB'000	*RMB'000*
Mr. Gao Jinkang	**10**	–
Mr. Yan Qixiang	**10**	–
Madam Bu Danlu	**10**	–
Mr. Sun Huibi	**70**	80
Mr. Guo Yuanxi	**70**	80
Mr. Yu Haizong	**70**	80
Madam Liu Lina	**80**	80
	320	320

There were no other emoluments payable to the independent non-executive directors during the year (2018: 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*	Performance related Bonus *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB '000*
2019					
Executive directors:					
Mr. Zhou Liming	–	–	–	–	–
Mr. He Zhuqing	188	–	–	–	188
Mr. Gan Yongyi*	614	–	36	51	701
Mr. Luo Maoquan	449	–	36	42	527
	1,251	–	72	93	1,416
Non-executive directors:					
Mr. Zheng Haijun	–	–	–	–	–
Mr. Tang Yong	–	–	–	–	–
Mr. Huang Bin	–	–	–	–	–
Mr. Wang Shuanming	–	–	–	–	–
Mr. Li Chengyong	–	–	–	–	–
Mr. Li Wenhu	–	–	–	–	–
Mr. You Zhiming	–	–	–	–	–
Mr. Ni Shilin	–	–	–	–	–
	–	–	–	–	–
	1,251	–	72	93	1,416

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*	Performance related Bonus *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. Zheng Haijun	–	–	–	–	–
Mr. Tang Yong	–	–	–	–	–
Mr. Huang Bin	–	–	–	–	–
Mr. Wang Shuanming	–	–	–	–	–
Mr. Ni Shilin	–	–	–	–	–
	–	–	–	–	–
	851	–	82	42	975

* 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 (2018: 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*	Performance related Bonus *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB '000*
2019					
Mr. Feng Bing	**614**	**–**	**36**	**51**	**701**
Mr. Ouyang Huajie	**–**	**–**	**–**	**–**	**–**
Mr. Hu Yaosheng	**433**	**–**	**36**	**33**	**502**
Mr. Lin Binhai	**280**	**–**	**11**	**51**	**342**
Mr. Ling Xiyun	**–**	**–**	**–**	**–**	**–**
Mr. Wang Yao	**–**	**–**	**–**	**–**	**–**
Madam Li Tao	**63**	**–**	**8**	**7**	**78**
Mr. Meng Jie	**–**	**–**	**–**	**–**	**–**
	1,390	**–**	**91**	**142**	**1,623**

	Salaries, allowances and benefits in kind *RMB'000*	Performance related Bonus *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

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year (2018: 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 (2018: two) and one supervisor (2018: two), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2018: one) highest paid employees who are not a director, chief executive, or supervisor of the Company are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**941**	378
Performance related bonus	**–**	–
Pension scheme contributions	**155**	59
	1,096	437

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 (2018: one), eight non-executive directors (2018: five) and four supervisors (2018: two) did not receive any remuneration from the Company in 2019. 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 Expressway Network & Technology Holdings Company Limited., 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 2019 and 2018.

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 2019 continued to be calculated at a tax rate of 15%.

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

	2019 ***RMB'000***	2018 *RMB'000*
Current — Mainland China		
Charge for the year	**330,194**	307,899
Underprovision/(overprovision) in prior years	**(2,128)**	147
Deferred *(note 21)*	**2,184**	(3,960)
Total tax charge for the year	**330,250**	304,086

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:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**1,463,539**	1,205,912
Tax at the applicable tax rates of:		
25%	**48,088**	(88,054)
15%	**190,678**	234,919
Sub-total	**238,766**	146,865
Income not subject to tax	**(1,785)**	(904)
Bad debts provision	**3,315**	1,703
Expenses not deductible for tax	**3,763**	1,303
Underprovision/(overprovision) in prior years	**(2,128)**	147
Profit attributable to associates and joint ventures	**(5,477)**	(6,123)
Tax losses not recognised	**85,169**	141,274
Tax arising from intra-group borrowings	**2,460**	17,093
Dividend from a non-resident joint venture	**5,406**	–
Others	**761**	2,728
Tax charge at the Group's effective tax rate	**330,250**	304,086

The share of tax attributable to associates and joint ventures amounting to RMB7,442,000 (2018: RMB7,822,000) 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

	2019	2018
	RMB'000	*RMB'000*
Proposed final – RMB0.110 (2018: RMB0.100) per ordinary share	**336,387**	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 (2018: 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 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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 2019								
Cost:								
At 1 January 2019:	668,539	174,673	262,613	565,388	187,963	86,056	34,545	1,979,777
Additions during the year	2,192	113	60,770	7,014	34,167	8,954	177,043	290,253
Business combination *(note 36)*	–	–	–	–	907	–	–	907
Disposals and write-offs	(5,932)	(2,301)	(38,779)	(481)	(18,480)	(6,250)	(6,700)	(78,923)
Transfer	3,670	4,361	111,170	3,947	340	–	(123,488)	–
At 31 December 2019	668,469	176,846	395,774	575,868	204,897	88,760	81,400	2,192,014
Accumulated depreciation:								
At 1 January 2019	626,185	141,161	179,156	288,955	128,716	53,769	–	1,417,942
Provided during the year	5,094	4,717	16,128	20,106	16,339	7,316	–	69,700
Disposals and write-offs	(5,013)	(2,297)	(24,895)	(363)	(17,550)	(5,589)	–	(55,707)
At 31 December 2019	626,266	143,581	170,389	308,698	127,505	55,496	–	1,431,935
Net carrying amount:								
At 1 January 2019	42,354	33,512	83,457	276,433	59,247	32,287	34,545	561,835
At 31 December 2019	42,203	33,265	225,385	267,170	77,392	33,264	81,400	760,079

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 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

13. SERVICE CONCESSION ARRANGEMENTS

	2019 *RMB'000*	2018 *RMB'000*
Cost:		
At 1 January	**30,950,638**	30,240,790
Additions	**1,372,940**	709,848
Disposals	**(17,715)**	–
At 31 December	**32,305,863**	30,950,638
Accumulated amortisation:		
At 1 January	**6,140,402**	5,383,129
Charged for the year	**744,283**	757,273
Disposals	**(1,859)**	–
At 31 December	**6,882,826**	6,140,402
Net carrying amount:		
At 1 January	**24,810,236**	24,857,661
At 31 December	**25,423,037**	24,810,236

Notes:

(a) At 31 December 2019, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 31(a)):

	2019 *RMB'000*	2018 *RMB'000*
Chengle Expressway	**3,689,688**	–
Chengren Expressway	**6,639,158**	6,816,504
Suiguang-Suixi Expressways	**11,817,261**	11,967,716
	22,146,107	18,784,220

(b) During the year, the Group was in the construction of the expansion project of Chengle Expressway. Total costs of RMB1,372,940,000 (2018: RMB709,848,000) including construction costs of RMB1,348,375,000 and borrowing costs of RMB24,565,000 were incurred, among which RMB1,348,375,000 (2018: RMB688,171,000) was sub-contracted to third party subcontractors.

In addition, construction revenue of RMB1,348,375,000 (2018: RMB688,171,000) 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 RMB24,565,000 (2018: RMB21,677,000) (note 6).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of property and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 11 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of office buildings generally have lease terms between 1 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	2018 *RMB'000*
Carrying amount at 1 January 2018	362,916
Recognised in profit or loss during the year *(note 7)*	(32,543)
Carrying amount at 31 December 2018	330,373
Portion classified as current assets *(note 26(d))*	(32,394)
Non-current portion	297,979

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payment ***RMB'000***	**Land and office buildings** ***RMB'000***	**Total** ***RMB'000***
As at 1 January 2019	**330,373**	**158,948**	**489,321**
Additions	**–**	**25,945**	**25,945**
Depreciation charge *(note 7)*	**(35,209)**	**(21,567)**	**(56,776)**
As at 31 December 2019	**295,164**	**163,326**	**458,490**

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019
	RMB'000
Carrying amount at 1 January	**156,795**
New leases	**24,482**
Accretion of interest recognised during the year	**7,705**
Payments	**(19,511)**
Carrying amount at 31 December	**169,471**
Analysed into:	
Current portion	**25,553**
Non-current portion	**143,918**

The maturity analysis of lease liabilities is disclosed in note 31 to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019
	RMB'000
Interest on lease liabilities *(note 6)*	**7,705**
Depreciation charge of right-of-use assets *(note 7)*	**56,776**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	
– included in cost of sales *(note 7)*	**2,126**
– included in administrative expenses *(note 7)*	**2,590**
Total amount recognised in profit or loss	**69,197**

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 34(c) and 35, respectively, to the financial statements.

14. LEASES (CONTINUED)

The Group as a lessor

The Group leases its leased properties consisting office buildings and service zones under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB38,548,000 (2018: RMB33,677,000), details of which are included in note 5 to the financial statements.

15. INVESTMENTS IN JOINT VENTURES

	2019 ***RMB'000***	2018 *RMB'000*
Share of net assets	**135,374**	765,156

Particulars of the Group's joint ventures, which were established and operate in Mainland China, as of 31 December 2019 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	50% (direct 49.18%, indirect 0.82%)	Asset management
Chengdu Chengyujianxin Equity Investment Fund Management Company Limited	50% (direct)	Asset management

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Share of the joint ventures' profit/(loss) for the year	**(280)**	23,630
Share of the joint ventures' other comprehensive income	**–**	–
Share of the joint ventures' total comprehensive income	**(280)**	23,630
Investment during the year	**66,750**	510,000
Dividend received during the year	**(36,040)**	–
Withdrawal during the year	**(150,000)**	–
Aggregate carrying amount of the Group's investments in the joint ventures	**135,374**	765,156

Investments in joint ventures are measured using the equity method.

16. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**327,590**	244,008
Provision for impairment	**(9,163)**	(9,163)
	318,427	234,845

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

Name	Percentage of ownership interest attributable to the Group	Principal activities
Chengdu Airport Expressway	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, except for Chengdu Airport Expressway, the shareholdings in which are held by the subsidiaries of the Company.

Investments in associates are accounted for using the equity method.

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2019	2018
	RMB'000	*RMB'000*
Current assets	**168,508**	120,320
Non-current assets	**156,293**	191,866
Current liabilities	**(17,813)**	(16,364)
Non-current liabilities	**(2,639)**	(374)
Net assets	**304,349**	295,448
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets of the associate	**76,087**	73,862
Carrying amount of the investment	**76,087**	73,862

	2019	2018
	RMB'000	*RMB'000*
Revenue	**142,570**	144,109
Profit for the year	**79,029**	67,829
Other comprehensive income	**–**	–
Total comprehensive income for the year	**79,029**	67,829
Dividend received	**17,532**	14,645

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

	2019	2018
	RMB'000	*RMB'000*
Share of the associates' profit for the year	**9,038**	13,692
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**9,038**	13,692
Investment during the year	**73,892**	–
Dividend received	**(1,573)**	–
Aggregate carrying amount of the Group's investments in the associates	**242,340**	160,983

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

	2019 *RMB'000*	2018 *RMB'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investment, at fair value China Everbright Bank	**118,919**	61,768
Unlisted equity investments, at fair value		
Sichuan Zhineng Transportation System Management Company Limited	**5,070**	5,260
Sichuan Trading Landmark Co., Ltd. ("Trading Landmark")	**14,770**	15,000
Sichuan Trust Co., Ltd.	**59,260**	70,970
Sichuan Jiaotou Industrial Co., Ltd.	**48,170**	44,240
Chengdu Chengbei Expressway Gas Station Co., Ltd.	**8,630**	6,910
Sichuan Trading Construction Engineering Co.,ltd ("TCC")	**117,970**	119,989
	253,870	262,369
	372,789	324,137

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 2019, the Group received dividends in the amount of RMB6,621,000 (2018: RMB6,025,000) (note 5).

18. LOANS TO CUSTOMERS

The Group's loans 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 2019

	Net lease receivables *RMB'000*	**Unearned finance income** *RMB'000*	**Total gross lease receivables** *RMB'000*
Amounts receivable:			
– Within one year	**935,463**	**102,177**	**1,037,640**
– In the second year	**691,662**	**62,934**	**754,596**
– In the third to fifth years, inclusive	**489,110**	**16,729**	**505,839**
Total	**2,116,235**	**181,840**	**2,298,075**
Portion classified as current assets	**(935,463)**		
Non-current portion	**1,180,772**		

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		

At 31 December 2019, the Group has pledged lease receivables of RMB863,212,000 (2018: RMB253,123,000) to secure bank loans granted to the Group (note 31 (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 is included in note 26(a) to the financial statements.

19. 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:

	2019			2018		
	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**	**4,522**	**8,478**	13,000	5,558	7,442
In the second to fifth years, inclusive	**29,802**	**5,792**	**24,010**	42,802	10,314	32,488
Beyond five years	**–**	**–**	**–**	–	–	–
	42,802	**10,314**	**32,488**	55,802	15,872	39,930
Portion classified as current assets *(note 26 (b))*			**(8,478)**			(7,442)
Non-current portion			**24,010**			32,488

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.

20. PAYMENTS IN ADVANCE

	2019 RMB'000	2018 RMB'000
In respect of:		
Purchase of land use rights	–	2,000
Purchase of equipment	49,360	–
	49,360	2,000

21. DEFERRED TAX

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

Deferred tax assets

	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 1 January 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 and 1 January 2019	14,120	365	14,485
Deferred tax charged to profit or loss during the year *(note 9)*	(2,408)	(208)	(2,616)
At 31 December 2019	11,712	157	11,869

The Group has tax losses arising in Mainland China of RMB1,648,196,000 (2018: RMB1,349,934,000) 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.

21. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustment arising from equity investments designated at fair value through other comprehensive income	Accelerated amortisation for tax purposes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	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
Deferred tax credited to profit or loss during the year *(note 9)*	–	(432)	(432)
Deferred tax credited to reserves during the year	2,298	–	2,298
At 31 December 2019	18,974	1,826	20,800

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:

	2019	2018
	RMB'000	*RMB'000*
Gross deferred tax assets	**11,869**	14,485
Gross deferred tax liabilities	**(11,712)**	(12,759)
Net deferred tax assets	**157**	1,726
Gross deferred tax assets	**20,800**	18,934
Gross deferred tax liabilities	**(11,712)**	(12,759)
Net deferred tax liabilities	**9,088**	6,175

21. DEFERRED TAX (CONTINUED)

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 2018 which were paid to foreign shareholders before 31 December 2019.

22. 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 2019, the legal titles of the land use rights that the Group acquired with a carrying amount of approximately RMB156,303,000 (2018: RMB156,303,000) 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.

23. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Properties under development		
Land costs	**1,389,645**	1,381,132
Development costs	**629,848**	239,296
	2,019,493	1,620,428
Carrying amount at 1 January	**1,620,428**	1,468,570
Additions	**399,065**	151,858
Carrying amount at 31 December	**2,019,493**	1,620,428

	2019 RMB'000	2018 RMB'000
Completed properties held for sale		
Carrying amount at 1 January	**176,002**	334,999
Impairment	**(1,527)**	(70,154)
Transfer to cost of properties sold	**(20,125)**	(88,843)
Carrying amount at 31 December	**154,350**	176,002

The Group's properties under development and completed properties held for sale are situated on leasehold land in Mainland China. As at 31 December 2019, properties under development were expected to be completed or realised within the normal operating cycle. The land use right of properties under development of RMB859,600,000 (31 December 2018: RMB360,500,000) was pledged to secured bank loans granted by Bank of Chengdu (note 31 (a)). Interest capitalised as part of properties under development by the Group during the year was RMB12,389,000 (2018: RMB3,739,000) (note 6).

24. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Refined oil products	**62,126**	24,227
Spare parts and construction materials	**1,715**	1,536
	63,841	25,763

25. CONTRACT ASSETS

	31 December 2019	31 December 2018	1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from construction services	**31,000**	452,369	789,195
Impairment	**–**	–	–
	31,000	452,369	789,195

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 2019 and 2018 was the result of the completion and settlement of construction services at the end of each of the years.

There was no allowance for expected credit losses on contract assets recognised as at 31 December 2019 (2018: Nil). The Group's trading terms and credit policy with customers are disclosed in note 26 to the financial statements.

25. CONTRACT ASSETS (CONTINUED)

The expected timing of recovery or settlement for contract assets as at 31 December 2019 is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one year	**21,000**	123,099
After one year	**10,000**	329,270
Total contract assets	**31,000**	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.

26. TRADE AND OTHER RECEIVABLES

	Notes	**2019** **RMB'000**	2018 RMB'000
Trade receivables			
Trade receivables		**2,188,404**	1,285,645
Impairment		**–**	–
Trade receivables, net	(a)	**2,188,404**	1,285,645
Bill receivables		**25,823**	–
		2,214,227	1,285,645
Other receivables			
Deposit and other receivables	(b)	**488,847**	297,185
Impairment	(c)	**(108,851)**	(95,591)
		379,996	201,594
Prepayments	(d)	**86,949**	59,323
Other receivables, net		**466,945**	260,917
Total trade and other receivables		**2,681,172**	1,546,562

Notes:

(a) The Group's trading terms of trade receivables arising from sales of industrial products with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers.

The Group's trading terms of trade receivables arising from commercial factoring are with a term of one year since the effective date of the relevant factoring contracts and generally on 60-day credit terms, while the credit terms for major customers can be extended to 180 days.

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 RMB1,054,108,000 as at 31 December 2019 (2018: RMB1,175,833,000) are to be settled by instalments within two to three years upon completion of the relevant construction works and bear interest at rates ranging from 4.75% to 14.98% (2018: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) (continued)

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:

	2019 RMB'000	2018 RMB'000
Within 3 months	**1,065,895**	76,956
3 to 6 months	**37,455**	15,711
6 to 12 months	**125,115**	146,202
Over 1 year	**959,939**	1,046,776
	2,188,404	1,285,645

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. 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 2019, the Group's major receivables and loans 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 loans 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 ECL was provided as the directors consider that the expected credit risks of these receivables and loan to customers are minimal.

(b) The Group's deposits and other receivables at 31 December 2019 are analysed as follows:

	2019 RMB'000	2018 RMB'000
Interest receivables on temporary advances and construction revenue	**18,714**	3,269
Long-term compensation receivables to be received within one year (note 19)	**8,478**	7,442
Toll income receivables	**30,845**	31,841
Deductible input value-added tax	**138,977**	59,281
Deposits	**13,217**	59,838
Miscellaneous	**278,616**	135,514
	488,847	297,185
Impairment allowance	**(108,851)**	(95,591)
	379,996	201,594

As stipulated in the contracts entered into between the Group and the respective government agencies, other than the provision of construction works under the "Build-Transfer" mode, 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. These advances bear interest at a rate of 14.98% per annum (2018: 14.98%).

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

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

	2019 **RMB'000**	2018 *RMB'000*
At beginning of year	**95,591**	106,722
Current year provision for loss allowance *(note 7)*	**13,260**	–
Reversal of provision for loss allowance *(note 7)*	**–**	(11,131)
At end of year	**108,851**	95,591

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 ECLs for other receivables, 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 a certain dispute other receivables which had been fully impaired, the Group has assessed and concluded that the risk of default rate for the other instruments was minimal as 31 December 2019 since the counterparties to these instruments have a high credit rating.

(d) Prepayments at 31 December 2019 included prepaid land lease payments to be recognised within one year of nil (2018: 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:

	2019 **RMB'000**	2018 *RMB'000*
Fellow subsidiaries under common control of STIG		
– Other receivables	**3,285**	1,865
– Prepayments	**1,086**	–
	4,371	1,865

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *RMB'000*
Listed equity investments, at fair value	73,933

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 *RMB'000*	2018 *RMB'000*
Cash and bank balances	**2,980,806**	3,604,420
Time deposits	**15,000**	69,258
	2,995,806	3,673,678
Less: Pledged time deposits for construction of road projects	**15,000**	16,258
Restricted deposits	**29,102**	–
Cash and cash equivalents	**2,951,704**	3,657,420

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:

	2019 *RMB'000*	2018 *RMB'000*
RMB	**2,995,674**	3,673,546
Hong Kong dollars	**132**	132
	2,995,806	3,673,678

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

29. CONTRACT LIABILITIES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*
Advances received from customers			
Construction contracts	**26,791**	24,317	35,969
Sale of properties	**1,411,348**	379,548	118,270
Total contract liabilities	**1,438,139**	403,865	154,239
Portion classified as current liabilities	**(542,203)**		
Non-current portion	**895,936**		

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

30. TRADE AND OTHER PAYABLES

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Current portion:			
Trade payables	(a)	**256,165**	215,382
Other payables	(b)	**2,881,340**	2,706,696
Accruals	(c)	**59,142**	57,034
Deferred income	(d)	**33,348**	13,348
		3,229,995	2,992,460
Non-current portion:			
Deferred income	(d)	**96,137**	110,163
		3,326,132	3,102,623

30. 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:

	2019 **RMB'000**	2018 RMB'000
Within 3 months	**158,833**	164,992
3 to 6 months	**1,265**	5,212
6 to 12 months	**–**	12,423
Over 1 year	**96,067**	32,755
	256,165	215,382

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	**2019** **RMB'000**	2018 RMB'000
Advances		**30,666**	30,708
Inter-network toll collection	(i)	**54,324**	153,146
Payroll and welfare payables		**233,844**	182,197
Taxes and surcharge payables		**28,753**	39,111
Progress billing payables	(ii)	**1,749,522**	1,553,146
Retention payables	(iii)	**371,757**	378,862
Deposits	(iii)	**180,547**	168,818
Others		**231,927**	200,708
		2,881,340	2,706,696

Notes:

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

(ii) Included in the progress billing payables, RMB1,214,977,000 (2018: RMB1,189,360,000) 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, RMB295,585,000 (2018: RMB296,620,000) related to the construction of the Chengren Expressway BOT Project, Suiguang-Suixi Expressways BOT Project and the upgrade project of Chengle Expressway, which include performance guarantee deposits of approximately RMB3,992,000 (2018: RMB12,545,000) received from subcontractors, and bear interest at a fixed rate of 0.35% (31 December 2018: 0.35%) per annum.

(c) The balance as at 31 December 2019 consisted of interest accrued in respect of medium term notes and interest-bearing bank borrowings of RMB28,485,000 (2018: RMB30,967,000) and RMB30,657,000 (2018: RMB26,067,000), respectively.

30. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

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

	2019 RMB'000	2018 RMB'000
Leasing income received in advance	**11,034**	11,882
Management fee received in advance for operation of a bridge	**62,423**	71,276
Various deferred compensation income received in advance	**50,381**	35,930
Miscellaneous	**5,647**	4,423
	129,485	123,511

Deferred income of the Group to be released to profit or loss after twelve months from 31 December 2019 with total amounts of RMB96,137,000 (2018: RMB110,163,000) have been recorded as non-current liabilities.

(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:

	2019 RMB'000	2018 RMB'000
Fellow subsidiaries under common control of STIG		
– Trade payables	**76,599**	114,444
– Other payables	**1,065,701**	1,139,443
	1,142,300	1,253,887

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.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Bank loans:				
– Secured	(a)	**11,955,993**	11,378,693	11,378,693
– Unsecured		**2,060,000**	3,540,000	3,540,000
Medium term notes	(b)	**2,490,000**	2,500,000	2,500,000
Other borrowings, unsecured	(c)	**112,240**	138,500	138,500
Finance lease payable		**64,235**	–	–
Lease liabilities *(note 14(c))*		**169,471**	156,795	–
		16,851,939	17,713,988	17,557,193

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**2,294,489**	1,736,020
In the second year	**1,686,605**	2,069,832
In the third to fifth years, inclusive	**2,416,593**	3,121,186
Beyond five years	**7,618,306**	7,991,655
	14,015,993	14,918,693
Medium term notes repayable:		
Within one year	**1,200,000**	300,000
In the second year	**1,000,000**	1,200,000
In the third to fifth years, inclusive	**290,000**	1,000,000
	2,490,000	2,500,000
Other borrowings, finance lease payable and lease liabilities:		
Within one year	**47,314**	138,500
In the second year	**14,482**	–
In the third to fifth years, inclusive	**200,493**	–
Beyond five years	**83,657**	–
	345,946	138,500
Total bank and other borrowings and lease liabilities	**16,851,939**	17,557,193
Portion classified as current liabilities	**(3,541,803)**	(2,174,520)
Non-current portion	**13,310,136**	15,382,673

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

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes :

(a) Bank loans were secured by:

	Notes	2019 RMB'000	2018 RMB'000
		(Bank loan amount)	
Secured by concession rights of:	13(a)		
Chengle Expressway		**800,000**	–
Chengren Expressway		**2,381,264**	2,948,398
Suiguang-Suixi Expressways		**7,910,000**	8,110,000
		11,091,264	11,058,398
Secured by loans to customers	18	**659,729**	220,295
Secured by land use rights	23	**205,000**	100,000
		11,955,993	11,378,693

The bank loans bear interest at rates of 3.65% to 6.4% (2018: 4.13% to 6.18%) per annum.

(b) At 31 December 2019, the Company had three (2018: three) tranches of outstanding medium term notes totalling RMB2,490,000,000 (2018: RMB2,500,000,000) 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% (2018: 3.56% to 6.30%) per annum. 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 borrowings as at 31 December 2019 represent the unsecured shareholder's loan of RMB112,240,000 (2018: RMB138,500,000) granted to the Group by a non-controlling shareholder (note 37(d)), bearing interest at an annual interest rate of 7.80% (2018: 4.28%).

32. ISSUED CAPITAL

	2019 RMB'000	2018 RMB'000
Issued and fully paid:		
A Shares of 2,162,740,000 (2018: 2,162,740,000) of RMB1.00 each	**2,162,740**	2,162,740
H Shares of 895,320,000 (2018: 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.

33. 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.

(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 represented 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.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB24,482,000 and RMB24,482,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Bank and other borrowings *RMB'000*	Finance lease payable/ lease liabilities *RMB'000*	Interest payable *RMB'000*	Dividends payable *RMB'000*
At 31 December 2018	17,557,193	–	57,034	14,884
Effect of adoption of HKFRS 16	–	156,795	–	–
At 1 January 2019 (restated)	17,557,193	156,795	57,034	14,884
Changes from financing cash flows	(938,960)	52,429	(750,695)	(364,874)
New leases	–	24,482	–	–
Interest expenses	–	7,705	715,849	–
Interest capitalised	–	–	36,954	–
Interest recorded under cost of sales	–	830	–	–
Interest paid classified as operating cash flows	–	(8,535)	–	–
Dividends declared	–	–	–	360,475
At 31 December 2019	16,618,233	233,706	59,142	10,485

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (Continued)

2018

	Bank and other borrowings *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

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 *RMB'000*
Within financing activities	10,976

35. COMMITMENTS

(a) The Group had the following commitments at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Service concession arrangements	**3,264,316**	4,275,553

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its land, office buildings and office equipment under operating lease arrangements. Leases for land were negotiated for terms ranging from 11 to 70 years, and those for office buildings and office equipment were for terms ranging between one and six years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	30,140
In the second to fifth years, inclusive	88,775
After five years	105,707
	224,622

36. BUSINESS COMBINATION

On 25 March 2019, the Group obtained control on Multimodal United Transportation Company, formerly a joint venture of the Group since its establishment on 19 January 2018, through the revision of the articles of association with nil consideration. As at the date of acquisition, the Group, Chengdu Communications Investment Group Co., Ltd. and Chengdu Railway Bureau held 51%, 44.05% and 4.95% equity interest in Multimodal United Transportation Company.

The fair values of the identifiable assets and liabilities of Multimodal United Transportation Company as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment *(note 12)*	907
Cash and bank balances	943,534
Pledged deposits	56,000
Trade and other receivables	48,966
Tax payables	(1)
Trade and other payables	(48,871)
Deferred income	(120)
Total identifiable net assets at fair value	1,000,415
Non-controlling interests	(490,203)
Satisfied by investment in Multimodal United Transportation Company	510,212

An analysis of the cash flow in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances acquired of	943,534
Net inflow of cash and cash equivalents in cash flows from investing activities	943,534

Since the acquisition, Multimodal United Transportation Company contributed RMB209,187,000 to the Group's revenue and loss of RMB7,267,000 to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB7,835,267,000 and RMB1,121,224,000, respectively.

37. 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 RMB16,081,000 (2018: RMB14,686,000). The fee was determined based on a service charge of 0.4% of toll income or RMB25,000,000 per annum, whichever is lower.

(b) During the year, the Group leased out a certain part of its office buildings to STIG for an annual rental of RMB2,442,000 (2018: 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.

(c) 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 RMB661,000 (2018: RMB652,000), based on the market price.

(d) At 31 December 2019, Renshou Landmark had an outstanding loan due to its non-controlling shareholder, Sichuan Trading Landmark Co., Ltd. ("Trading Landmark"), amounting to RMB112,240,000, which will be repaid in September 2022. This balance is unsecured, with an interest rate of 7.80% (2018: 4.75%). During the year, interest expenses recognised by the Group in respect of the loan provided by Trading Landmark totalled RMB7,463,000 (2018: RMB6,670,000).

(e) 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 nil (2018: RMB1,094,000).

(f) 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 RMB17,392,000 (2018: RMB14,912,000). The prices of such works are usually determined through public tender and bidding.

(g) During the year, a subsidiary under common control of STIG was engaged by the Group to provide construction and maintenance works. The prices of such works are usually determined through public tender and bidding. Construction and maintenance cost recognised by the Group for such services amounted to RMB1,824,780,000 (2018: RMB670,123,000).

(h) During the year, Commercial Factoring Company had provided factoring services to Sichuan Transportation Investment Supply Chain Technology Company Limited and Chengdu Sichuan Transportation Xinrong Construction Engineering Company Limited, the indirect subsidiaries of STIG. Interest rates of the factoring services are usually determined through risk assessment, and the revenue recognised by the Group for such services amounted to RMB301,000 .

37. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2019	2018
	RMB'000	*RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**2,641**	2,033
Performance related bonus	**–**	–
Pension scheme contributions	**163**	205
Supplementary pension scheme contributions	**235**	96
	3,039	2,334
Total compensation paid to key management personnel	**3,359**	2,654

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

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

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

38. 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:

2019

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	Equity investments designated at fair value through other comprehensive income *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Pledged deposits	–	–	15,000	15,000
Long-term compensation receivable	–	–	32,488	32,488
Loan to customers	–	–	2,116,235	2,116,235
Equity investments designated at fair value through other comprehensive income	–	372,789	–	372,789
Restricted deposits	–	–	29,102	29,102
Trade receivables	–	–	2,214,227	2,214,227
Financial assets included in other receivables	–	–	371,518	371,518
Financial assets at fair value through profit or loss	73,933	–	–	73,933
Cash and cash equivalents	–	–	2,951,704	2,951,704
	73,933	372,789	7,730,274	8,176,996

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Interest-bearing bank and other borrowings	16,851,939
Trade payables	256,165
Dividend payables	10,485
Financial liabilities included in other payables and accruals	2,588,077
	19,706,666

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2018

Financial assets

	Equity investments designated 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 designated at fair value through other comprehensive income	324,137	–	324,137
Trade receivables	–	1,285,645	1,285,645
Financial assets included in other receivables	–	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
Interest-bearing bank and other borrowings	17,557,193
Trade payables	215,382
Dividend payables	14,884
Financial liabilities included in other payables and accruals	2,454,680
	20,242,139

39. 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	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Pledged deposits, non-current portion	**15,000**	15,000	**15,000**	15,000
Restricted deposits	**29,102**	–	**29,102**	–
Long term compensation receivables	**24,010**	32,488	**24,010**	32,488
Equity investments designed at fair value through other comprehensive income	**372,789**	324,137	**372,789**	324,137
Loan to customers, non-current portion	**1,180,772**	702,642	**1,180,772**	702,642
	1,621,673	1,074,267	**1,621,673**	1,074,267
Financial liabilities				
Interest-bearing bank and other borrowings (other than lease liabilities):				
– Bank loans	**14,015,993**	14,918,693	**13,520,011**	14,299,818
– Medium term notes	**2,490,000**	2,500,000	**2,415,135**	2,405,718
– Other borrowings	**112,240**	138,500	**102,321**	138,500
	16,618,233	17,557,193	**16,037,467**	16,844,036

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 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.

39. 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 borrowings 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, 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 to calculate 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 (2018: Nil).

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Equity investments	Valuation multiple	Average P/E or P/B multiple of peers	P/E:5.81-23.29 P/B: 1.36-1.91	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB25,387,000
		Discount for lack of marketability	20%-40%	10% increase/decrease in discount would result in decrease/increase in fair value by RMB11,097,000/ RMB11,077,000.

39. 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 2019				
Financial assets				
Equity investments designed at fair value through other comprehensive income:				
– Listed equity investment	**118,919**	**–**	**–**	**118,919**
– Unlisted equity investments	**–**	**–**	**253,870**	**253,870**
Financial assets at fair value through profit or loss	**–**	**–**	**73,933**	**73,933**
	118,919	**–**	**327,803**	**446,722**

	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

39. 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 2019				
Pledged deposits, non-current portion	–	15,000	–	15,000
Restricted deposits	–	29,102	–	29,102
Long term compensation receivables, non-current portion	–	–	24,010	24,010
Loan to customers, non-current portion	–	–	1,180,772	1,180,772
	–	44,102	1,204,782	1,248,884

	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

39. 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 2019				
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	**–**	**–**	**16,037,467**	**16,037,467**

	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 borrowings	–	–	16,844,036	16,844,036

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, 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.

40. 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 borrowings are disclosed in note 31. 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, lease liabilities and other borrowings.

With regard to 2019 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:

	2019					
	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*
Lease liabilities	–	8,747	23,871	82,626	94,770	210,014
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	776,508	3,499,185	7,574,819	8,765,964	20,616,476
Dividend payables	10,485	–	–	–	–	10,485
Trade and other payables	1,155,362	338,805	1,350,075	–	–	2,844,242
	1,165,847	1,124,060	4,873,131	7,657,445	8,860,734	23,681,217

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	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 borrowings	–	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

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 and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show 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. 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.

As at 31 December 2019

	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	–	–	–	31,000	31,000
Trade receivables	–	–	–	2,188,404	2,188,404
Financial assets included in other receivables					
– Normal*	371,518	–	–	–	371,518
– Doubtful**	–	–	108,851	–	108,851
Pledged deposits					
– Not yet past due	15,000	–	–	–	15,000
Loans to customers	–	–	–	2,116,235	2,116,235
Restricted deposits					
– Not yet past due	29,102	–	–	–	29,102
Cash and cash equivalents					
– Not yet past due	2,951,782	–	–	–	2,951,782
	3,367,402	–	108,851	4,335,639	7,811,892

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2018

	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 other receivables					
– Normal*	194,152	–	–	–	194,152
– Doubtful**	–	–	95,591	–	95,591
Pledged deposits					
– Not yet past due	16,258	–	–	–	16,258
Loans 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 loans to customers to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 18, 25 and 26 to the financial statements, respectively.

** The credit quality of the financial assets included in other receivables 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".

40. 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 2019 and 31 December 2018.

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 has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 58.68% to 58.87% on 1 January 2019 when compared with the position as at 31 December 2018. The Group's gearing ratio as at 31 December 2019 was 57.33% (2018: 58.68%).

Foreign currency risk

The Group's businesses are located in the Mainland China 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.

41. CONTINGENT LIABILITIES

At 31 December 2019, the Group did not have any material contingent liabilities.

42. 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:

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**469,152**	340,431
Right-of-use assets	**268,639**	–
Service concession arrangements	**9,743,289**	10,257,932
Prepaid land lease payments	**–**	196,187
Investments in subsidiaries	**7,652,384**	6,362,384
Investment in a joint venture	**136,750**	730,000
Investments in associates	**38,438**	38,438
Equity investments designed at fair value through other comprehensive income	**291,723**	294,257
Due from subsidiaries	**–**	2,874,865
Payments in advance	**–**	2,000
Contract assets	**10,000**	–
Restricted deposits	**39**	–
Deferred tax assets	**–**	1,360
Total non-current assets	**18,610,414**	21,097,854
CURRENT ASSETS		
Inventories	**197**	197
Trade and other receivables	**38,410**	72,277
Financial assets at fair value through profit or loss	**73,346**	–
Due from subsidiaries	**4,530,214**	954,146
Cash and cash equivalents	**2,290,642**	2,053,538
Total current assets	**6,932,809**	3,080,158
CURRENT LIABILITIES		
Tax payable	**17,630**	18,913
Other payables and accruals	**851,180**	654,006
Contract liabilities	**36,358**	71,400
Interest-bearing bank and other borrowings	**2,946,706**	1,513,349
Due to subsidiaries	**1,791,767**	12,347
Total current liabilities	**5,643,641**	2,270,015
NET CURRENT ASSETS	**1,289,168**	810,143
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,899,582**	21,907,997

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

	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**4,059,905**	6,935,050
Deferred tax liabilities	**668**	–
Deferred income	**94,377**	108,523
Total non-current liabilities	**4,154,950**	7,043,573
Net assets	**15,744,632**	14,864,424
EQUITY		
Issued capital	**3,058,060**	3,058,060
Reserves (note)	**12,686,572**	11,806,364
Total equity	**15,744,632**	14,864,424

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

Note:

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

	Share premium account	Statutory surplus reserve	Retained profits	Fair value reserve of equity investments designated at fair value through other comprehensive income	Difference arising from the acquisition of non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	2,654,601	4,553,007	4,080,869	83,418	(244,529)	11,127,366
Total comprehensive income/(loss) 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 and 1 January 2019	2,654,601	4,553,007	4,770,980	72,305	(244,529)	11,806,364
Profit for the year	**–**	**–**	**1,188,168**	**–**	**–**	**1,188,168**
Other comprehensive income for the year:						
Changes in fair value of equity investments other comprehensive income,net of tax	**–**	**–**	**–**	**(2,154)**	**–**	**(2,154)**
Total comprehensive income for the year	**–**	**–**	**1,188,168**	**(2,154)**	**–**	**1,186,014**
Transfer from/(to) reserves	**–**	**459,937**	**(459,937)**	**–**	**–**	**–**
Final 2018 dividend paid	**–**	**–**	**(305,806)**	**–**	**–**	**(305,806)**
At 31 December 2019	**2,654,601**	**5,012,944**	**5,193,405**	**70,151**	**(244,529)**	**12,686,572**

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.

43. EVENT AFTER THE REPORTING PERIOD

The Group received the Notice from the Ministry of Transport in relation to the Toll Fees payable for Toll Roads during the Control Period of the Novel Coronavirus Disease (Jiao Gong Lu Ming Dian [2020] No. 62) (《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(交公路明電[2020] 62號)) issued by the Ministry of Transport (the "MOT") of the People's Republic of China (the "PRC") on 15 February 2020, pursuant to which, according to the consent from the State Council of the PRC, it has waived the toll fees payable by all vehicles passing through toll roads (including toll bridges and tunnels) approved and established in accordance with the Highway Law of the People's Republic of China (《中華人民共和國公路法》) and the Regulation on Toll Road Management (《收費公路管理條例》) from 0:00 a.m. on 17 February 2020 to the end of the prevention and control period of the novel coronavirus disease (COVID-19) until further notice (the "National Scheme"). In accordance with the National Scheme, the Group has waived the toll fees of vehicles passing along the Chengyu Expressway, Chengya Expressway, Chengren Expressway, Chengle Expressway, Chengbei Expressway and Suiguang-Suixi Expressways from the specified time until further notice from the government authorities.

Given that the Group derives a significant portion of its revenue from toll income contributed by vehicles using the expressways, the Directors expect that, subject to the end date of the implementation of the National Scheme, this may have a material adverse impact on the Group's financial performance and the unaudited interim results of the Group for the six months ended 30 June 2020.

44. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 March 2020.