成都高速公路股份有限公司
CHENGDU EXPRESSWAY CO., LTD.
(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1785

2019
ANNUAL REPORT

CONTENTS

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AGM"	the annual general meeting of the Company to be held on 11 June 2020
"Articles of Association"	the articles of association of the Company
"Board"	the board of Directors of the Company
"Chengbei Exit Expressway Company"	Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司), a company incorporated in the PRC with limited liability on 6 September 1996, which is an associate of the Company with 40% of its equity interests held by the Company
"Chengdu Airport Expressway Company"	Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company incorporated in the PRC with limited liability on 24 December 1997, which is a non-wholly-owned subsidiary of the Company with 55% of its equity interests held by the Company
"Chengdu Communications"	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability on 16 March 2007, which is one of the controlling shareholders of the Company
"Chengdu Communications Group"	Chengdu Communications and its subsidiaries
"Chengdu Expressway Construction"	Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company incorporated in the PRC with limited liability on 25 June 1996, which is one of the controlling shareholders of the Company
"Chengguan Expressway Company"	Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司), a company incorporated in the PRC with limited liability on 25 August 1998, the predecessor of the Company
"Chengming Expressway Company"	Sichuan Chengming Expressway Co., Ltd. (四川成名高速公路有限公司), a company incorporated in the PRC with limited liability on 15 November 2007, which is a non-wholly-owned subsidiary of the Company with 51% of its equity interests held by the Company

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"Chengpeng Expressway Company"	Chengdu Chengpeng Expressway Co., Ltd. (成都成彭高速公路有限責任公司), a company incorporated in the PRC with limited liability on 11 September 2002, which is a non-wholly-owned subsidiary of the Company with 99.74% of its equity interests held by the Company
"Chengwenqiong Expressway Company"	Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), a company incorporated in the PRC with limited liability on 26 October 1998, which is a wholly-owned subsidiary of the Company
"Chengyu Expressway Company"	Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 19 August 1997, the H shares and A shares of which are listed on the Stock Exchange (stock code: 00107) and the Shanghai Stock Exchange (stock code: 601107), respectively, and a substantial shareholder of Chengdu Airport Expressway Company
"Company"	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares of which are listed and traded on the Stock Exchange
"Company Law"	the Company Law of the PRC (中華人民共和國公司法)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in this annual report, refers to Chengdu Communications and Chengdu Expressway Construction
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary Share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	has the meaning ascribed thereto in the Prospectus
"Group"	the Company and its subsidiaries from time to time
"H Share(s)"	overseas listed foreign Share(s) in the ordinary Share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are approved to be listed and traded on the Stock Exchange
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Latest Practicable Date"	15 April 2020, being the latest practicable date for the inclusion of certain information in this annual report prior to its publication
"Listing Date"	15 January 2019, the date when the H Shares are listed on the main board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China, excluding, for purposes of this report only, Hong Kong, Macau Special Administrative Region and Taiwan region
"Prospectus"	the prospectus of the Company dated 28 December 2018
"Reporting Period" or the "Year"	the annual period ended 31 December 2019
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of the Company, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company

DEFINITIONS

GLOSSARY OF TECHNICAL TERMS

"Batch Payment Model"	a toll collection model only applicable to passenger vehicles with local licenses on Chengpeng Expressway and all vehicles with local licenses on Chengwenqiong Expressway which can pass through the toll plazas on these two expressways without toll payment. The relevant local governments, instead, pay the Group toll fees pursuant to the batch payment agreements entered with Chengpeng Expressway Company and Chengwenqiong Expressway Company, respectively, of which Chengpeng Expressway has restored the standard toll collection model in July 2018
"daily weighted-average traffic volume"	represents the summation of the daily traffic volume and mileage of each section of expressways, i.e. the section from an expressway toll station to the next toll station, divided by the sum of the mileage. For Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway, the daily traffic volume includes the number of vehicles leaving the expressway's toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing by but not entering the expressways or leaving from the expressways' toll plazas, but excluding vehicles entitled to toll-free treatment such as vehicles using the expressway during national holidays and, for Chengdu Airport Expressway, also excluding vehicles that have purchased annual tickets. The traffic volume of Chengpeng Expressway and Chengwenqiong Expressway has taken into account the traffic volume under the Batch Payment Model
"ETC"	electronic toll collection
"Standard Toll Collection Model"	a toll collection model that requires payment at the time of passing-through and is applicable to all the vehicles on the expressways of the Group that are not eligible for the Batch Payment Model

CORPORATE PROFILE

The Group is principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province. As at the date of this annual report, the expressways controlled or invested by the Group include five self-owned expressways, i.e. Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway, as well as Chengbei Exit Expressway in which the Company holds 40% equity interests, covering a total network mileage of 202.37 kilometres. Located strategically in areas adjacent to Chengdu, the Group's expressways are an integral part to the expressway network surrounding Chengdu which connect several districts with abundant economic, cultural and tourism resources. As at the end of the Reporting Period, total assets of the Group reached RMB8.335 billion.

- Chengguan Expressway is a major part of the G4217 national expressway and a key section connecting Sichuan Province with Gansu Province, Qinghai Province and Tibet. It is also the main road to access Dujiangyan, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan Province.

- Chengpeng Expressway is a major part of the S105 provincial highway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to north areas of Sichuan Province.

- Chengwenqiong Expressway is a major part of the S8 provincial expressway and is of economic and cultural significance to western Chengdu. It connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu.

- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu.

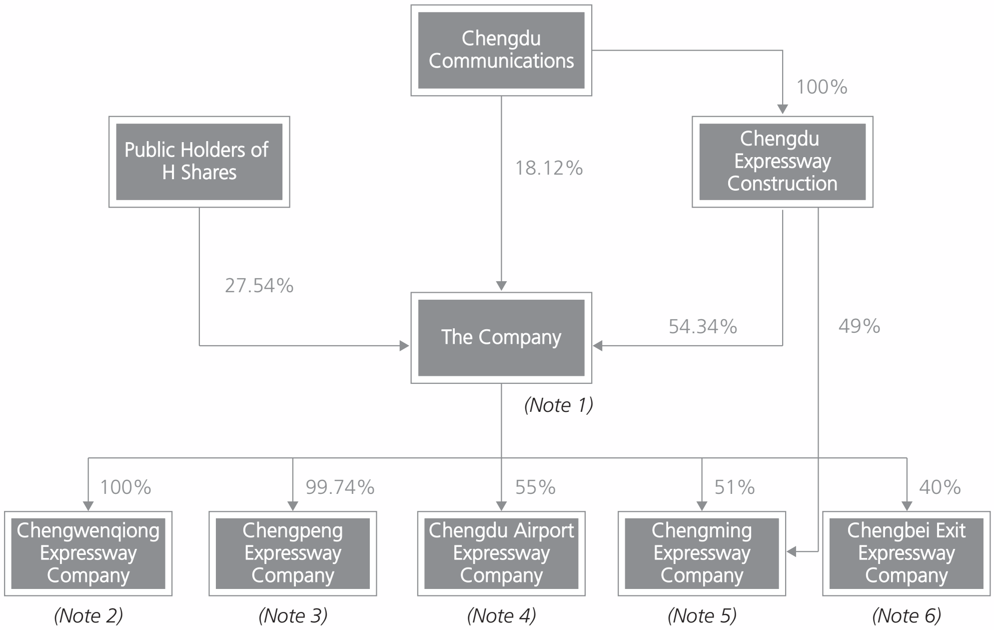
- Qiongming Expressway is a major part of the S8 provincial expressway and an extension of Chengwenqiong Expressway. It connects to Yunnan Province via Chengya expressway (成雅高速公路) – Yaxi expressway (雅西高速公路) – Xipan expressway (西攀高速公路) and to the Tibetan region via Chengya expressway (成雅高速公路) – Yakang expressway (雅康高速公路) – G318 national expressway.

- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速).

Since establishment, the expressways operated and managed by the Group have secured remarkable performance in maintenance, security and quality service and has garnered various honours such as "Twelfth Five-Year" Excellent Highway Maintenance and Management Enterprise of Sichuan Province ("十二五"全省幹線公路養護管理工作優秀單位), Provincial Model Enterprise for Safe Construction (省級安全文化建設示範企業), and "Five Star" Expressway of Sichuan Province (四川省"五好"高速公路).

GROUP STRUCTURE

The chart below sets out the Group's structure as at the date of this annual report:



	Percentage of Ownership	Length (km)	Number of Lanes	Number of Toll Stations	Commencement of Operation	Expiration Date
Chengguan Expressway	100%	40.44	6	7	July 2000	July 2030
Chengpeng Expressway	99.74%	21.32	6/8	4	November 2004	October 2033
Chengwenqiong Expressway	100%	65.60	6/4	12	January 2005	January 2035
Chengdu Airport Expressway	55%	11.98	4	1	July 1999	December 2024
Qiongming Expressway	51%	52.68	4	5	November 2010	November 2038
Chengbei Exit Expressway	40%	10.35	6	1	December 1998	June 2024

Notes:

1. The Company holds 100% interests in Chengguan Expressway.

2. Chengwenqiong Expressway Company holds 100% interests in Chengwenqiong Expressway.

3. As stated in the Prospectus, the Company contributed RMB481,710,000 to Chengpeng Expressway Company's registered capital, leading to an increase in the registered capital of Chengpeng Expressway Company. Such change in industrial and commercial registration was completed on 30 December 2019. Since then, Chengpeng Expressway Company is held as to 99.74% by the Company and 0.26% by Pengzhou Zhengtongdaoqiao Construction Company Limited (彭州市正通道橋建設有限責任公司).

4. The Company holds 55% interests in Chengdu Airport Expressway through Chengdu Airport Expressway Company. The remaining 45% interests of Chengdu Airport Expressway are held by Chengyu Expressway Company and Sichuan Xinneng Real Estate Limited (四川新能置業有限公司) as to 25% and 20%, respectively.

5. The Company holds 51% equity interests in Qiongming Expressway through Chengming Expressway Company. The remaining 49% equity interests in Chengming Expressway Company are held by Chengdu Expressway Construction.

6. Furthermore, the Company holds 40% interests in Chengbei Exit Expressway through Chengbei Exit Expressway Company, an associate. The remaining 60% interests of Chengbei Exit Expressway Company are held by Chengyu Expressway Company.

MAJOR EVENTS DURING THE REPORTING PERIOD

On 1 April 2019, the differentiated toll policy for normally loaded and legally transporting weight-based-tolling freight vehicles was adopted in Sichuan Province, which was implemented by Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway owned by the Group and Chengbei Exit Expressway, in which the Company holds 40% equity interests.

On 16 May 2019, the General Office of the State Council issued the "Notice on Issuing the Implementation Plan for Deepening the Reform of Toll Road System and Cancelling the Provincial Toll Stations of Expressways (《關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) and the National Development and Reform Commission, the Ministry of Transport and Sichuan Province also issued supporting measures in response to the policy. The policy required that the adoption proportion of ETC at expressway entrances across the country shall reach more than 90% by the end of 2019, and payment via mobile phone shall fully cover manual toll lanes. Accordingly, the Company completed the standardisation for construction and renovation of hardware and software for the ETC portal system of three of our expressways, being Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway while Chengdu Airport Expressway does not need hardware renovation for the ETC portal system and only requires upgrading of toll collection software to meet the standards. Besides, in accordance with the Classification by Vehicle Types on Toll Roads (JT/T489-2019) (《收費公路車輛通行費車型分類》) issued by the Ministry of Transport, the Company charges tolls based on vehicle (shaft) types for freight vehicles travelling on each of the Group's expressways starting from 1 January 2020 and implemented non-stop weighing at toll gate entrances on expressways.

On 27 August 2019, in line with the requirements of Chengdu Municipal Government on strengthening transportation support for functional areas in the electronic information industry, the Company proposed to implement the "expressway-to-expressway" inter-network construction project between Chengguan Expressway and Chengdu Ring Expressway in front of the Chengdu toll gate on Chengguan Expressway, so as to solve traffic congestion at node sections.

On 28 October 2019, the Company entered into the equity transfer agreement with Chengdu Expressway Construction, pursuant to which, the Company agreed to acquire and Chengdu Expressway Construction agreed to dispose of 51% equity interests in Chengming Expressway Company at a consideration of RMB485,142,600. Meanwhile, the Company assumed 51% of the debt due to Chengdu Expressway Construction by Chengming Expressway Company, being RMB393,750,600.

On 29 October 2019, according to the Official Reply on Optimising and Adjusting the Government's Batch Payment Policy for Chengdu Ring Expressway and Chengwenqiong Expressway (Chuan Jiao Han [2019] No. 633) (《關於優化調整成都繞城和成溫邛高速公路政府統繳政策的批覆》(川交函[2019]633號)) issued by Sichuan Provincial Transportation Department, commencing from 8:00 on 1 December 2019, tolls of legally-loaded Chengdu-registered vehicles with ETC devices though Chengdu Ring Expressway and inner ring connection lines as well as Chengwenqiong Expressway shall be uniformly paid in batch by the Chengdu municipal government and district (city) and county government alongside Chengwenqiong Expressway. Instead, Chengdu-registered vehicles without ETC device shall no longer be entitled to the Chengdu government's batch payment policy and the toll payment shall be borne by the owners of vehicles. Such policy applied to Chengwenqiong Expressway of the Company.

On 16 December 2019, the Company held an extraordinary general meeting, at which the acquisition of the 51% equity interests in Chengming Expressway Company by the Company was approved.

On 20 December 2019, Chengming Expressway Company received the new business license issued by the industrial and commercial registration authority. Upon completion of the acquisition of 51% equity interests in Chengming Expressway Company, Chengming Expressway Company became a non-wholly-owned subsidiary of the Company.

MAJOR EVENTS DURING THE REPORTING PERIOD

AWARDS AND RECOGNITIONS

In January 2019, Chengpeng Expressway Company was appraised by Sichuan Ministry of Transport for "Satisfactory Results Achieved in Expressway Construction Objectives and Tasks in 2018";

In March 2019, Chengdu Airport Expressway Company was appraised by the Chengdu Executive Committee of the Western China International Fair for its outstanding contributions to the successful holding of the 17th Western China International Fair;

In April 2019, the Company, Chengwenqiong Expressway Company and Chengming Expressway Company were elected as the "Model Institution for Road and Waterway Transport During Spring Festival in 2019 (2019年全省道路水路春運工作先進單位)" by Sichuan Ministry of Transport;

In April and May 2019, Chengdu Airport Expressway Company and Chengpeng Expressway Company obtained the ISO39001 road traffic safety management system certification respectively;

In May 2019, the Company, Chengwenqiong Expressway Company and Chengdu Airport Expressway Company were named the "Model Institution of Chengdu During Spring Festival Transport in 2019 (2019年成都市春運工作先進單位)" by Chengdu Transport Commission;

In May 2019, Chengdu Airport Expressway Company won the honour of "Outstanding Achievement Institution of the 100th National Wine & Food Fair (第100屆全國糖酒商品交易會突出成績單位)" awarded by Chengdu Municipal Government;

In August 2019, Chengpeng Expressway Company was appraised as the Safety Production Standard Grade II Enterprise by Sichuan Emergency Management Department;

In September 2019, the Company was awarded the "Most Growth Value Award (最具成長價值獎)" of the 2019 China Enterprise Elite Award jointly organised by Porda Havas International Finance Communications Group, AMO Group, Porda Havas and Hong Kong International Investment Association.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

OPERATING RESULTS

	2015	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	785,090	1,185,201	1,784,298	1,830,227	**1,255,926**
Including:					
Toll Income	778,363	787,558	840,378	985,898	**1,255,926**
Construction revenue in respect of service concession arrangements	6,727	397,643	943,920	844,329	**–**
Gross profit	482,942	458,823	498,669	594,214	**701,962**
Profit before tax	360,220	380,797	428,378	523,067	**572,010**
Profit for the year	305,748	324,350	367,790	446,042	**471,102**
Total comprehensive income for the year attributable to owners of the Company	244,937	278,456	338,916	415,488	**438,791**

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	**As at 31 December 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	6,152,507	4,467,187	4,914,078	5,194,176	**8,335,014**
Total liabilities	4,472,355	2,412,725	2,646,970	2,729,798	**4,519,008**
Non-controlling interests	444,167	455,390	131,194	134,967	**516,012**
Equity attributable to owners of the Company	1,235,985	1,599,072	2,135,914	2,329,411	**3,299,994**

EARNINGS

	2015	2016	2017	2018	**2019**
Earnings per Share attributable to ordinary equity holders of the Company –Basic and diluted (RMB)	0.204	0.232	0.282	0.346	**0.268**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present the 2019 annual results of the Group to the Shareholders.

During the Reporting Period, the Group achieved toll income of RMB1,255,926,000 (2018: RMB985,898,000), representing an increase of RMB270,028,000 from 2018, up by 27.4%.

During the Reporting Period, the Group achieved profit for the year of RMB471,102,000 (2018: RMB446,042,000), representing a year-on-year increase of 5.6%, total comprehensive income for the year attributable to owners of the Company of RMB438,791,000 (2018: RMB415,488,000), representing a year-on-year increase of 5.6% and basic earnings per Share of approximately RMB0.268 (2018: approximately RMB0.346).

The Company was committed to enhancing its corporate value and giving a due consideration to both the development of the Company and the interests of investors to implement the dividend distribution policy. The Board proposed to distribute a final cash dividend for 2019 of RMB0.12 per Share (tax inclusive) and RMB198,732,240 in total. The dividend distribution plan is subject to approval at the AGM.

RESULTS REVIEW

Principal Business Trending Stable and Upward

In 2019, national GDP increased by 6.1% while the overall economic operation was steady and the economic structure was continuously optimised. GDP in Sichuan and Chengdu, where the principal business of the Company are domiciled, recorded an increase of 7.5% and 7.8%, respectively, being both above national average. Thanks to the sound macro-economy environment, the Company strived to expand and strengthen its principal business in line with its established strategies.

During the Reporting Period, Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway recorded daily weighted-average traffic volume of 40,564, 51,342, 57,768 and 44,396, representing a year-on-year change of -4.6%, 81.3%, 8.2% and 1.5% from 2018, respectively; and toll income of RMB307,940,000, RMB238,312,000, RMB433,933,000 and RMB142,570,000. In particular, Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway registered a year-on-year change of -6.8%, 110.6%, 9.0% and -1.1% in toll income, respectively.

Qiongming Expressway was acquired by the Group from Chengdu Expressway Construction in 2019, which constituted business combination under common control. Chengdu Expressway Construction completed acquisition of equity interests in Chengming Expressway Company on 7 May 2019 and therefore, the results of Qiongming Expressway from May to December 2019 were consolidated into the financial statements of the Group. From May to December 2019, toll income of Qiongming Expressway reached RMB133,171,000. For the whole year of 2019, Qiongming Expressway realised daily weighted-average traffic volume of 13,718, representing an increase of 10.3% from the corresponding period of 2018, and recorded toll income of RMB189,953,000 (2018: RMB169,478,000), representing an increase of RMB20,475,000, or 12.1% from 2018.

CHAIRMAN'S STATEMENT

During the Reporting Period, traffic volume and toll income of Chengpeng Expressway maintained relatively substantial increase with remarkable results achieved, primarily due to the reason that it benefited from the expansion and renovation and the full restoration of traffic flows since 12 July 2018. Benefiting from the completion of Riyue Avenue, which connects downtown Chengdu to the entrance of Chengwenqiong Expressway, Chengwenqiong Expressway attracted more vehicles and therefore witnessed an increase in toll volume and toll income. Chengdu Airport Expressway recorded a slight decrease in revenue due to more ETC discounts afforded as compared to 2018. Chengguan Expressway recorded a decrease in toll volume and toll income from 2018, primarily due to traffic diversion as a result of operation of Yongning and Shuyuan toll gates on Chengdu Ring Expressway and the reopening of Chengpeng Expressway since 12 July 2018. In addition, the debris flow disaster in Wenchuan County, Aba Prefecture, Sichuan Province on 20 August 2019 and the environmental rectification with special treatment conducted in Aba Prefecture, Sichuan Province during the Reporting Period exerted negative impact on the traffic volume of Chengguan Expressway to a certain extent. The increase in toll income of Qiongming Expressway was attributable to the fact that it had grown into the mature period to generate profitability.

Proactively Implementing Policies to Facilitate Traffic Flow

During the Reporting Period, responding to the national policies, the Group actively implemented ETC software and hardware technical transformation to facilitate traffic flow. During the Reporting Period, in line with the "Notice on Issuing the Implementation Plan for Deepening the Reform of Toll Road System and Cancelling the Provincial Toll Stations of Expressways (《關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) issued by the General Office of the State Council, the Group implemented the standardised construction and renovation of hardware and software for the ETC portal system of three of our expressways, being Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway (Chengdu Airport Expressway does not need hardware renovation for the ETC portal system and only requires upgrading of toll collection software to meet the standards). As of the end of December 2019, construction for 46 ETC portal systems was completed. In addition, cooperating with banks and WeChat operators, the Group developed the "Sichuan Expressway Connect" mini program, which was officially launched in June 2019 to provide online ETC services 24 hours a day. The Group also proactively improved traffic convenience and work efficiency through setting up unattended card issuing machines and mobile code scanning payments on its own expressways.

Expanding Principal Business through Acquisition of Equity Interests in Chengming Expressway Company

During the Reporting Period, the Company entered into the equity transfer agreement with Chengdu Expressway Construction on 28 October 2019 to acquire the 51% equity interests in Chengming Expressway Company, and the relevant change in industrial and commercial registration was completed on 20 December 2019. The acquisition scaled up the assets of the Group and expanded the market share of principal business in Sichuan Province, which will facilitate the strengthening of the core advantages of the Company in the investment and management of toll highways and roads. Upon completion of the acquisition, the total mileage of the expressways operated by the Group has been extended to approximately 202.37 kilometres from approximately 149.69 kilometres (including the mileage of Chengbei Exit Expressway).

OUTLOOK IN 2020

The sixth meeting of the Central Financial and Economic Affairs Commission was held on 3 January 2020, which focused on the Chengdu-Chongqing economic circle and put forward the initiative "to promote the construction of a two-city economic circle in Chengdu-Chongqing region and forge an important growth driver for high-quality development in the west". The Company expects that the favorable macro policies will provide strong support for the sustainable development of Chengdu and its surrounding areas, and will also affect transportation, warehousing and logistics, tourism and other industries, thus bringing development opportunities to the Group.

In 2020, the Company will continue to strengthen the investment, construction, management and maintenance of expressways to consolidate its core competitiveness. First, the Company plans to set up specialized operating companies to implement unified management and maintenance of its own expressways and reduce operation and management costs. Second, the Company proposes to make effective use of investment attraction policies in the areas along the expressways, and to invest in the construction of a theme service area near Ande Toll Station of Chengguan Expressway according to the "Expressway +" industrial concept, so as to foster new profit and growth potential while improving the traffic experience and service level of Chengguan Expressway.

In December 2019, Wuhan suffered from the outbreak of COVID-19 pandemic and the impact instantly spread across the whole nation. Sichuan Province launched the first-level emergency response to public health emergencies on 24 January 2020 and implemented strict pandemic prevention and control measures. At the same time, the Ministry of Transport has issued relevant traffic policies for the prevention and control of the pandemic. First, it extended the toll waiver period during the Spring Festival holiday for small and medium-sized vehicles to encourage inbound passengers to avoid travelling peak after the Spring Festival as to minimise crowds gathering. Second, it decided to waive tolls on toll roads nationwide from 00:00 on 17 February 2020 until the end of pandemic prevention and control. It is expected that the implementation of various pandemic prevention and control measures will lead to a significant drop in the Group's revenue during the containment period of COVID-19 pandemic. In addition, in accordance with the publications on the official website of the Ministry of Transport, the government will further study and issue relevant supporting guarantee policies to safeguard the legitimate interests of the users, creditors, investors and operators of toll roads in a coordinated manner. The Company will pay close attention to such policies in the bid to minimise the negative impact brought by the pandemic and fulfill its information disclosure obligations as and when appropriate.

It is imperative for the Group, as an H-Share listed company, to grasp development opportunities, navigate through the current adversities and shoulder social responsibilities to achieve sustainable growth. With unwavering confidence and cohesion, the Group will dedicate its best effort to create greater value for the Shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend gratitude to our Shareholders, customers, partners, the management and all of the employees for their support.

Xiao Jun
Chairman
Chengdu, the PRC, 27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF THE GROUP'S OPERATING RESULTS

	2019	2018
	RMB'000	*RMB'000*
Revenue	**1,255,926**	1,830,227
Including:		
Toll income	**1,255,926**	985,898
Construction revenue in respect of service concession arrangements	**–**	844,329
Profit before tax	**572,010**	523,067
Total comprehensive income for the year attributable to owners of the Company	**438,791**	415,488
Earnings per Share attributable to ordinary equity holders of the Company		
– Basic and diluted	**RMB0.268**	RMB0.346

SUMMARY OF THE GROUP'S FINANCIAL POSITION

	As at 31 December 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Total assets	**8,335,014**	5,194,176
Total liabilities	**4,519,008**	2,729,798
Non-controlling interests	**516,012**	134,967
Equity attributable to owners of the Company	**3,299,994**	2,329,411

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group is primarily engaged in toll collection and maintenance and repair of the expressways operated by it in its daily operations, including Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway. During the Reporting Period, the Group achieved revenue of RMB1,255,926,000, representing a year-on-year decrease of RMB574,301,000, which was attributable to the fact that no construction revenue in respect of service concession arrangements was derived due to the lack of new expansion projects during the Reporting Period, while construction revenue in respect of service concession arrangements for 2018 was RMB844,329,000. All revenue during 2019 was generated from toll income, which totaled RMB1,255,926,000, representing an increase of 27.4% from 2018. The table below sets forth a breakdown of toll income by expressway during the Reporting Period:

	2019	2018
	RMB'000	*RMB'000*
Chengguan Expressway	**307,940**	330,542
Chengpeng Expressway	**238,312**	113,154
Chengwenqiong Expressway	**433,933**	398,093
Chengdu Airport Expressway	**142,570**	144,109
Qiongming Expressway	**133,171**[(1)]	–
Toll income	**1,255,926**	985,898
Construction revenue in respect of service concession arrangements	**–**	844,329
Total revenue	**1,255,926**	1,830,227

Toll expressway	**Daily weighted-average traffic volume (vehicle) 2019**	2018	Increase/ (decrease) from the previous year
Chengguan Expressway	**40,564**	42,530	(4.6%)
Chengpeng Expressway	**51,342**	28,326	81.3%
Chengwenqiong Expressway	**57,768**	53,400	8.2%
Chengdu Airport Expressway	**44,396**	43,721	1.5%
Qiongming Expressway	**13,718**[(2)]	12,437[(2)]	10.3%

Notes:

(1) Toll income of Qiongming Expressway covers the period from May to December 2019, Chengming Expressway Company was not consolidated into the Company's financial statements for 2018 and thus are not shown in this table.

(2) Daily weighted-average traffic volume of Qiongming Expressway covered the period from January to December 2019 and corresponding data for 2018 represented data from January to December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, benefiting from the increase in traffic volume resulting from stable local economic development, further improvement of regional road network and people's growing travelling willingness, the Group toll income recorded an increase. Revenue generated from each expressway owned by the Company is set out below:

Chengguan Expressway

During the Reporting Period, toll income of Chengguan Expressway decreased by RMB22,602,000, or 6.8% from the corresponding period of 2018, primarily due to the traffic diversion as a result of operation of Yongning and Shuyuan toll gates on Chengdu Ring Expressway and the reopening of Chengpeng Expressway since 12 July 2018. Located in Wenjiang District and Pidu District, Chengdu, and connecting the traffic network in northwestern Chengdu, Yongning and Shuyuan toll gates commenced operation in November 2018 and April 2019, respectively. In addition, the following events also had a negative impact on the toll income of Chengguan Expressway: (i) cut-off in several sections of Duwen expressway connecting to Chengguan Expressway as a result of debris flow disaster on 20 August 2019 in Wenchuan County, Aba Prefecture, Sichuan Province; and (ii) the environmental rectification with special treatment conducted in Aba Prefecture, Sichuan Province during the Reporting Period, resulting in a reduction in the number of freight vehicles transporting sand and other building materials prone to dust pollution to and from the local area.

Chengpeng Expressway

During the Reporting Period, toll income of Chengpeng Expressway increased by RMB125,158,000, or 110.6% from the corresponding period of 2018 with outstanding performance, primarily thanks to the expansion and renovation and the full restoration of traffic since 12 July 2018.

Chengwenqiong Expressway

During the Reporting Period, toll income of Chengwenqiong Expressway increased by RMB35,840,000, representing a year-on-year increase of 9.0%, primarily due to completion of Riyue Avenue in September 2018, which connects downtown Chengdu to the entrance of Chengwenqiong Expressway, attracting more traffic volume to Chengwenqiong Expressway during the Reporting Period.

Chengdu Airport Expressway

During the Reporting Period, toll income of Chengdu Airport Expressway slightly decreased by RMB1,539,000 or 1.1% on a year-on-year basis. This is primarily due to the increased ETC discount afforded as compared to 2018. As the result of enhanced governmental efforts in promoting ETC in 2019, more vehicles with ETC device (entitled to a 5% discount) travelled through Chengdu Airport Expressway.

Qiongming Expressway

Chengdu Expressway Construction completed the acquisition of 100% equity interests in Chengming Expressway Company in May 2019 and the Company acquired the 51% equity interests in Chengming Expressway Company from Chengdu Expressway Construction in December 2019. Due to business combination under common control, the results of Chengming Expressway Company from May to December 2019 were consolidated into the financial statements of the Group for 2019. From May to December 2019, toll income of Qiongming Expressway amounted to RMB133,171,000.

For the whole year of 2019, Qiongming Expressway achieved daily weighted-average traffic volume of 13,718 (2018: 12,437), representing a year-on-year increase of 10.3%; and toll income of RMB189,953,000 (2018: RMB169,478,000), representing a year-on-year increase of RMB20,475,000, or 12.1%, primarily due to growth of Qiongming Expressway into the mature period to record significant revenue increase.

COST OF SALES

During the Reporting Period, cost of sales of the Group primarily included road repair, maintenance, cleaning and greening cost, depreciation and amortisation as well as employee benefit expense. During the Reporting Period, the Group's cost of sales was RMB553,964,000, representing a year-on-year decrease of 55.2% as compared with RMB1,236,013,000 for the same period in 2018, which was primarily due to the fact that no construction cost in respect of service concession arrangements was incurred during the Reporting Period while construction cost in respect of service concession arrangements for the corresponding period of the previous year amounted to RMB844,329,000. If the cost of sales data in 2019 excluding the cost of sales of Chengming Expressway Company in 2019 is compared with the cost of sales in 2018 excluding the construction cost in 2018, there was a year-on-year increase of 23.0%, primarily due to the increase in amortisation of service concession arrangements during the Reporting Period and the increase in road maintenance costs and labor costs due to the increase in traffic volume.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, gross profit from the Group's operations amounted to RMB701,962,000 (2018: RMB594,214,000). Gross profit margin was 55.9% (2018: 32.5%), representing a year-on-year increase of 23.4%, primarily due to the fact that all revenue of the Group derived during 2019 represented toll income while gross profit for 2018 included both toll income and construction revenue in respect of service concession arrangements. Gross profit margin of toll income decreased by 4.4% to 55.9% from 60.3% for 2018, primarily because the gross profit margin of Chengming Expressway Company is 45.7%, which was lower than toll income gross profit margin of other expressways.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group incurred administrative expenses of RMB68,647,000 (2018: RMB53,587,000), representing a year-on-year increase of 28.1%, which was mainly attributable to upward adjustment of the salary of the employees of the Group and an increase in employee benefit as well as an increase in depreciation and amortisation amount due to newly added office related assets as compared to last year and an increase in audit and consulting service fees.

During the Reporting Period, the employee benefit expenses (including salary and social security expenses) and depreciation and amortisation amount of the Group were RMB47,158,000 (2018: RMB32,654,000) and RMB2,686,000 (2018: RMB1,554,000), respectively.

SHARE OF LOSS OF AN ASSOCIATE

In 2019, the Company recognised share of loss of RMB352,000 arising from its 40% equity interests in Chengbei Exit Expressway Company. A profit of RMB21,916,000 was recognized for the same period of 2018. The main reason for the change was that Chengbei Exit Expressway Company implemented Qinglongchang Viaduct Pavement Improvement Project and Chengbei Expressway Pavement Treatment Project from June to September 2019 and October to November 2019, respectively. During the construction period, certain road sections were closed, and Chengbei Exit Expressway Company recorded a decrease in revenue and an increase in cost, resulting in losses during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Reporting Period, the total comprehensive income for the year attributable to owners of the Company was RMB438,791,000, representing a year-on-year increase of 5.6% as compared with RMB415,488,000 for the same period in 2018, primarily due to the increase in toll income of the Group during the Reporting Period. Basic and diluted earnings per Share were RMB0.268, representing a year-on-year decrease of RMB0.078 as compared with RMB0.346 for the same period in 2018, primarily due to the reason that our share capital increased from 1.2 billion to 1.656102 billion as a result of share issuance in 2019. The return on Shareholders' equity was 12.3%, representing a year-on-year decrease of 5.8% as compared with 18.1% for the same period in 2018, due to the fact that the proceeds from the new share issuance during the Reporting Period were mainly used to acquire the 51% equity interests in Qiongming Expressway, and the investment yields therefrom could not be immediately generated during the Reporting Period. It is believed that when Qiongming Expressway reaches the maturity stage, its benefits will gradually increase in the future, which will help to improve the return on Shareholders' equity.

ASSETS AND LIABILITIES OVERALL CONDITIONS

As at the end of the Reporting Period, due to consolidation of Qiongming Expressway, total assets and total liabilities of the Group recorded significant increase.

As at the end of the Reporting Period, total assets of the Group amounted to RMB8,335,014,000 (2018: RMB5,194,176,000), representing an increase of 60.5% from the end of 2018. The Group's total assets mainly consist of service concession rights in respect of Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Qiongming Expressway and Chengdu Airport Expressway and the equity investment in Chengbei Exit Expressway Company, an associate of the Group. The above assets accounted for 72.4% of the Group's total assets. Cash and cash equivalents and other assets accounted for 18.1% and 9.5% of total assets, respectively.

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB4,519,008,000 (2018: RMB2,729,798,000), representing an increase of 65.5% from the end of 2018.

BORROWINGS AND REPAYMENT CAPACITY

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB4,519,008,000 (2018: RMB2,729,798,000), of which 66.7% (2018: 56.9%) represented bank and other borrowings while 24.5% (2018: 40.5%) represented amounts payable to suppliers.

As at the end of the Reporting Period, total interest-bearing borrowings of the Group amounted to RMB3,014,717,000 (2018: RMB1,553,500,000), of which RMB2,122,657,000 represented bank borrowings and RMB892,060,000 represented other borrowings, 91.5% of the interest-bearing borrowings are not repayable within one year. The increase in total interest-bearing borrowings was attributable to the consolidation of borrowings of Chengming Expressway Company.

As at the end of the Reporting Period, bank borrowings of the Group carried a fixed annual interest rate ranging from 4.41% to 4.90%. Other borrowings carried a fixed annual interest rate of 4.90%.

During the Reporting Period, total interest expenses of the Group amounted to RMB134,866,000 (2018: RMB71,701,000). Earnings before interest and tax amounted to RMB706,876,000 (2018: RMB594,768,000) and therefore interest coverage ratio (earnings before interest and tax divided by interest expenses) was 5.2 (2018: 8.3).

As at the end of the Reporting Period, gearing ratio of the Group (being total liabilities divided by total assets) was 54.2% (2018: 52.6%).

BORROWING RATIO

Being a measurement of financial leverage, borrowing ratio is calculated as net debt divided by "total equity and net debt". Net debt refers to interest-bearing bank and other loans minus cash and cash equivalents, not including liabilities for working capital. Equity includes equity attributable to owners of the Group and non-controlling interests. As at the end of the Reporting Period, the borrowing ratio of the Group was 28.3% (2018: 19.4%).

CAPITAL EXPENDITURE COMMITMENTS AND UTILISATION

During the Reporting Period, capital expenditure of the Group amounted to RMB88,416,000 (2018: RMB157,536,000). Out of the total capital expenditure of the Group, RMB88,014,000 was used for equipment purchase and reformation and RMB402,000 for other intangible assets.

As at the end of the Reporting Period, total capital expenditure commitments of the Group amounted to RMB7,025,000, all of which were incurred from the purchase and reformation of equipment and facilities for Chengwenqiong Expressway. The Group will prioritise internal resources to fund the above capital expenditure commitments.

LIQUIDITY AND CAPITAL RESOURCES

The Group focuses on maintaining a reasonable capital structure and continuously improving its profitability in order to maintain good credit standing and sound financial position.

As at the end of the Reporting Period, total current assets of the Group amounted to RMB1,828,402,000 (2018: RMB1,245,541,000), of which: (i) cash and cash equivalents were RMB1,506,513,000 (2018: RMB958,615,000), accounting for 82.4% (2018: 77.0%) of current assets; (ii) trade receivables were RMB51,059,000 (2018: RMB32,664,000), accounting for 2.8% (2018: 2.6%) of current assets; (iii) prepayments, other receivables and other assets were RMB270,830,000 (2018: RMB254,262,000), accounting for 14.8% (2018: 20.4%) of current assets.

As at the end of the Reporting Period, current ratio (current assets divided by current liabilities) of the Group was 129.2% (2018: 92.7%). The increase of the current ratio was due to the receipt of proceeds from the Global Offering by the Company during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out certain information about the Group's consolidated statements of cash flows for the years ended 31 December 2018 and 2019:

	Year ended 31 December			
	2019		2018	
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Cash and cash equivalents presented in the consolidated statements of cash flows at the beginning of the year		**878,615**		1,139,951
Net cash flows from operating activities	**1,015,710**		161,402	
Net cash flows used in investing activities	**(747,586)**		(198,327)	
Net cash flows used in financing activities	**(27,783)**		(224,411)	
Net increase (decrease) in cash and cash equivalents		**240,341**		(261,336)
Cash and cash equivalents presented in the consolidated statements of cash flows at the end of the year		**1,118,956**		878,615
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,506,513**		958,615
Time deposits with original maturity of over three months		**(387,557)**		(80,000)
Cash and cash equivalents as stated in the consolidated statements of cash flows		**1,118,956**		878,615

Net cash flows from operating activities: During the Reporting Period, net cash flows from the Group's operating activities were approximately RMB1,015,710,000, while net cash flows from operating activities in 2018 were approximately RMB161,402,000, representing a year-on-year increase of RMB854,308,000, or 529.3%, primarily attributable to i) an increase in cash inflow of RMB258,684,000 arising from increase of toll income; ii) an increase in cash inflow of RMB56,937,000 arising from increase of interest income and construction compensation income; iii) a decrease in cash outflow of RMB496,473,000 arising from decrease of cash outflow related to service concession agreements.

Net cash flows used in investing activities: During the Reporting Period, net cash flows used in investing activities of the Group were approximately RMB747,586,000, representing a year-on-year increase of RMB549,259,000, or 277.0% from the net cash flow used in investing activities of RMB198,327,000 in 2018, which was mainly due to (i) increase in expense of RMB373,312,000 as a result of business combination under common control during the Year; (ii) increase in purchase expense of time deposits with original maturity of over three months of RMB227,557,000.

Net cash flows used in financing activities: During the Reporting Period, net cash flows used in the Group's financing activities were approximately RMB27,783,000, while net cash flows used in the Group's financing activities in 2018 were approximately RMB224,411,000, representing a year-on-year decrease of RMB196,628,000, or 87.6%, primarily attributable to (i) proceeds from Global Offering of RMB864,403,000 received during the Reporting Period; (ii) increase in repayment of bank and other loans of RMB339,157,000 during the Year from last year; (iii) decrease in proceeds from banks loans during the Year of RMB293,000,000 from last year; (iv) increase in interests paid during the Year of RMB31,848,000 from last year. After offsetting, cash flows used in financing activities recorded a decrease during the Reporting Period.

NET PROCEEDS FROM GLOBAL OFFERING AND UTILISATION

The Company issued 400,000,000 H Shares in Global Offering which were listed on the Main Board of the Stock Exchange on 15 January 2019, and issued 56,102,000 H Shares upon partial exercise of the over-allotment option which were listed on the Main Board of the Stock Exchange on 12 February 2019. The net proceeds from the initial public offering of new Shares and the issue of over-allotment Shares amounted to approximately HK$931.5 million (equivalent to approximately RMB802.5 million), which will be allocated for gradual utilisation in accordance with the purposes set out in the Prospectus. The Company applied 70% of the net proceeds from the Global Offering to acquire Chengming Expressway Company during the Reporting Period and expects to achieve the plan of establishing new business segments or acquiring other complementary business within two years from listing. As at the date of this report, the utilisation of the net proceeds is set out below:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering and utilisation		
		Amount available for utilisation	Amount utilised	Remaining amount
		RMB'000	*RMB'000*	*RMB'000*
Acquiring or investing in one high-quality expressway	70%	561,716	561,716	–
Establishing new business segments or acquiring other complementary business	10%	80,245	–	80,245
Improving the operational efficiency of expressways	10%	80,245	14,576	65,669
General corporate and working capital purposes	10%	80,245	64,538	15,707
Total	100%	802,451	640,830	161,621

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

On 28 October 2019, the Company entered into the equity transfer agreement with Chengdu Expressway Construction, pursuant to which, the Company agreed to acquire and Chengdu Expressway Construction agreed to dispose of 51% equity interests in Chengming Expressway Company at a consideration of RMB485,142,600, which was fully settled by the Company in cash. The Company also agreed to assume 51% of the debt due to Chengdu Expressway Construction by Chengming Expressway Company, being RMB393,750,600. The acquisition was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 16 December 2019. Change in industrial and commercial registration regarding the acquisition was completed on 20 December 2019. For details of the acquisition, please refer to the announcements of the Company dated 28 October 2019, 16 December 2019 and 20 December 2019, and the circular of the Company dated 29 November 2019.

Save as disclosed in this report, during the Reporting Period, the Group did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures, nor did it hold any significant investments.

PLEDGE OF ASSETS

As at the end of the Reporting Period, the service concession arrangements of Chengwenqiong Expressway with a net carrying amount of RMB1,140,153,000 (2018: RMB1,206,341,000) were pledged to secure bank loans and other loans of RMB601,000,000 (2018: RMB666,000,000), the service concession arrangements of Chengpeng Expressway with a net carrying amount of RMB1,337,828,000 (2018: RMB1,377,302,000) were pledged to secure bank loans of RMB303,000,000 (2018: RMB533,000,000), and the service concession arrangements of Qiongming Expressway with a net carrying amount of RMB2,369,666,000 were pledged to secure bank loans of RMB1,114,157,000.

EXCHANGE RATE FLUCTUATION RISK

The Group currently does not engage in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange movements to maximise the Group's cash value.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any material contingent liabilities, nor did it provide any material guarantees for related parties.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, save for the 400,000,000 H Shares issued by the Company in Global Offering and the 56,102,000 H Shares issued upon partial exercise of the over-allotment option, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS

The following table sets forth information regarding the Directors:

Name	Position	Term of office *(Note)*
Mr. Xiao Jun	Non-executive Director Chairman of the Board	21 November 2016 – Up to now 9 December 2016 – Up to now
Mr. Tang Fawei	Executive Director General Manager	21 November 2016 – Up to now 9 December 2016 – Up to now
Mr. Zhang Dongmin	Executive Director	9 May 2018 – Up to now
Ms. Wang Xiao	Executive Director Deputy General Manager	21 November 2016 – Up to now 9 December 2016 – Up to now
Mr. Luo Dan	Executive Director Chief Accountant	21 November 2016 – Up to now 9 December 2016 – Up to now
Mr. Yang Bin	Non-executive Director	9 May 2018 – Up to now
Mr. Shu Wa Tung, Laurence	Independent non-executive Director	21 November 2016 – Up to now
Mr. Ye Yong	Independent non-executive Director	21 November 2016 – Up to now
Mr. Li Yuanfu	Independent non-executive Director	21 November 2016 – Up to now

Note: The commencement of the term of office represents the dates when these persons first assumed the positions listed in the table. For details of their other positions, please refer to the following. The term of the first session of the Board expired on 21 November 2019. Due to the postponement of the re-election procedures, according to the requirements of the Articles of Association, all of the members of the first session of the Board shall continue to discharge their respective responsibilities. For details, please refer to the announcement of the Company dated 20 November 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. XIAO Jun (肖軍), aged 53, has served as the chairman and a director of Chengguan Expressway Company (the predecessor of the Company) since April 2016, a non-executive Director of the Company since November 2016 and the chairman of the Board and the chairman of the Nomination Committee of the Company since December 2016. Prior to joining the Company, Mr. Xiao served as the operation group leader and deputy secretary of the Party branch and was responsible for road condition survey, exploration and design in the road situation team under the Highway Bureau of Department of Transportation of Sichuan Province (四川省交通廳公路局路況隊) from July 1988 to May 1992 and from May 1994 to September 1997 respectively and served as a deputy team leader of the technical team of the Ala Road construction in Republic of Yemen aided by the PRC (中國援建也門人民共和國阿拉公路技術組) from May 1992 to May 1994. Mr. Xiao served as a project staff and was responsible for coordination of construction of Chengya Expressway and Chengpeng Expressway in the office of important construction projects in Chengdu Municipal Transportation Bureau and served as the site commander of the Chengpeng Expressway Construction Command (成彭高速公路建設指揮部) from September 1997 to November 2000, and served as a deputy chief of the Division of Highway Management of Chengdu Municipal Transportation Bureau from November 2000 to July 2004. Mr. Xiao served successively as the director, deputy executive general manager and general manager of Chengdu Expressway Construction from July 2004 to March 2007. Mr. Xiao served successively as the chief engineer and deputy general manager of Chengdu Communications from March 2007 to August 2014, and served as the director and chief engineer of Chengdu Communications from August 2014 to December 2017, and has served as the vice chairman of the board of directors of Chengdu Communications since December 2017.

Mr. Xiao graduated with a major in road and bridge engineering from Road Engineering Department of Chongqing Jiaotong College in July 1988. He graduated with a major in traffic and civil engineering from Chongqing Jiaotong College in July 1998. Mr. Xiao was qualified as a senior engineer by Chengdu Professional Title Reform Leading Group (成都市職稱改革工作領導小組) in March 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. TANG Fawei (唐發維), aged 50, has served as an executive Director of the Company since November 2016. Since December 2016, he has served as the General Manager of the Company, mainly responsible for fully directing various works of the Company, acting as the chairman of the Strategy and Development Committee. Prior to joining the Company, Mr. Tang served as a teacher at Longquan Junior High School, Longquanyi District, Chengdu City, Sichuan Province, from August 1989 to September 1990. He served as a teacher, as well as a sole duty deputy secretary of the Communist Youth League, at Luodai Middle School, Chengdu City, Sichuan Province from September 1990 to March 1993. He worked at the Department of Secondary School Education, Board of Education, Longquanyi District, Chengdu City, Sichuan Province, acting as the officer of vocational education, responsible for vocational education and student enrollment of the whole district, as well as a deputy director of Vocational Education Center Admissions Office in Chengdu Economic and Technological Development Zone from March 1993 to October 1998. He served as the vice president of Xihe Vocational and Technical Secondary School of Sichuan from October 1998 to October 2001. He served as the deputy director of the integrated office of Party Working Committee and Management Committee of Chengdu Economic and Technological Development Zone from October 2001 to December 2006, during which he took a temporary post and received training in Department of Commerce of Sichuan Province from October 2001 to October 2002. He took a temporary post and received training in Foreign Investment Division of Ministry of Commerce from September 2005 to October 2006. Mr. Tang was involved in the preparation of the establishment of Chengdu Communications from December 2006 to March 2007. He has also served as the secretary of the Communist Party Committee and general manager of Sichuan Xing Shu Railway Company (四川興蜀鐵路公司) from March 2007 to April 2018. Mr. Tang also served as the chairman of Supervisory Committee of Chengmianle Railway Passenger Line Company (成綿樂鐵路客運專綫公司) from February 2012 to November 2016. Mr. Tang served as the director and general manager of Chengdu Expressway Construction from February 2015 to November 2016, the chairman of the board of directors of Xinqiong High-Grade Road Company (新邛高等級公路公司), Chengren High-Grade Road Company (成仁高等級公路公司), Qiongming High-Grade Road Company (邛名高等級公路公司), Qingyun High-Grade Road Company (青雲高等級公路公司) and Dashuang High-Grade Road Company (大雙高等級公路公司) from February 2015 to November 2016, the executive director and general manager of Sichuan Chengjian Expressway Development Company Limited (四川成簡快速路發展有限公司) from February 2015 to November 2016 and the chairman of the board of directors of Hongsheng Logistics Company (宏盛物流公司) from February 2015 to November 2016.

Mr. Tang took the junior college courses at Chengdu Education College (成都教育學院) from September 1992 to June 1995, majoring in politics and history education. He took the undergraduate courses in major of education management at Sichuan Education College (四川省教育學院) from September 1997 to June 2000. He also completed the postgraduate courses in education and economics at Beijing Normal University from July 2000 to July 2002.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. ZHANG Dongmin (張冬敏), aged 57, has served as an executive Director of the Company since June 2018. Prior to joining the Company, Mr. Zhang was a soldier in the 11th Army of the People's Liberation Army of China (中華人民共和國解放軍陸軍第十一軍團) from October 1979 to April 1982, the group leader of Construction Command in Chengdu Sixth Water Work (成都市自來水六廠建設指揮部) from May 1982 to September 1998, the section chief in the Chengdu "Five Road One Bridge" Office (成都"五路一橋"辦公室) from October 1998 to June 2003, the manager of the contract management department in Chengdu Road and Bridge Operation and Management Company (成都市路橋經營管理公司) from June 2003 to December 2009, the department head of land security department in Chengdu Communications from December 2009 to May 2017. Mr. Zhang has served as the general manager of Chengwenqiong Expressway Company since May 2017, the chairman of the board of directors of Chengwenqiong Expressway Company since May 2018 and the chairman of the board of directors of Chengming Expresway Company since December 2019.

Mr. Zhang graduated from Correspondence College of the Party School of the Sichuan Provincial Committee of Communist Party of China (中共四川省委黨校函授學院) in June 2001 majoring in economic management. Mr. Zhang received his economist certificate in December 2006.

Ms. WANG Xiao (王曉), aged 47, has served as an executive Director of the Company since November 2016 and Deputy General Manager of the Company since December 2016, mainly responsible for assisting the General Manager, managing the General Management Department, and acting as a member of the Strategy and Development Committee. Prior to joining the Company, Ms. Wang served as a staff in Agriculture Machine Bureau of Pujiang County, Sichuan Province from July 1990 to April 1996, the deputy department head of the Communication Management Department of the Chengdu Municipal Transportation Bureau from May 1996 to January 1998, the office director of the Communications News of the Chengdu Municipal Transportation Bureau from February 1998 to September 2002. She completed the traffic and transportation planning and management courses organised by Southwest Jiaotong University from September 1999 to July 2001. She served as the deputy general manager and general manager of the Chengdu Shixianghu Traffic Hotel from September 2002 to April 2006. Ms. Wang served as the deputy general manager of Chengpeng Expressway Company from April 2006 to June 2010 and the deputy general manager of Chengguan Expressway Company from July 2010 to May 2014. Ms. Wang has served as the general manager of Chengdu Airport Expressway Company since May 2014 and the chairman of board of directors of Chengdu Airport Expressway Company since May 2018. Ms. Wang graduated from the Graduate School of the Central Party School of the Communist Party of China in July 2011 majoring in economics (economic management). Ms. Wang was awarded the qualification of senior engineer by Chengdu Reform of Professional Title Leading Group (成都市職稱改革工作領導小組) in May 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. LUO Dan (羅丹), aged 52, has served as an executive Director of the Company since November 2016 and the Chief Accountant of the Company since December 2016 and has been mainly responsible for financial matters. He has been assisting the General Manager, managing the finance department, contract management department, and acting as a member of the Remuneration and Evaluation Committee. Prior to joining the Company, Mr. Luo served successively as the accountant, deputy section chief and financial manager of Chengdu Chemical Engineering Company (成都市化工公司) from July 1985 to July 1998. During the period from August 1998 to June 2010, Mr. Luo served multiple positions in Chengguan Expressway Company, including the manager of finance department from August 1998 to January 1999, assistant to general manager and manager of finance department from February 1999 to November 2000, and deputy general manager from December 2000 to June 2010. Mr. Luo has served as the deputy general manager and the chairman of the labor union of Chengwenqiong Expressway Company since July 2010, a non-executive director of Chengpeng Expressway Company since May 2015 and the financial controller of Chengming Expressway Company since December 2019.

Mr. Luo graduated from Chengdu Finance and Trade School (成都市財政貿易學校) in July 1985 majoring in business accounting and statistics and graduated from the Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in December 2004 with a bachelor's degree in economic management provided for people with a college degree. Mr. Luo was awarded the qualification of assistant political engineer by Chengdu Enterprise Ideological and Political Staff Professional Position Evaluation Leading Group in March 2019.

Mr. YANG Bin (楊斌), aged 53, has served as a non-executive Director and a member of the Audit and Risk Management Committee of the Company since May 2018. Prior to joining the Company, Mr. Yang served as the deputy manager of asset management department in Chengdu Expressway Construction from December 1998 to July 2000, the deputy general manager in Chengdu Xiling Snow Hill Tourism Development Co., Ltd. (成都西嶺雪山旅遊開發有限責任公司) from July 2000 to July 2002, the deputy general manager and general manager in Chengdu Jinsha Transport Co., Ltd. (成都金沙運業有限公司) from July 2002 to May 2014, the director and general manager in Chengpeng Expressway Company from May 2014 to April 2016, the director and general manager in Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交投旅遊運業發展有限公司) from April 2016 to November 2016, the head of the Party and Masses Work Department of Chengdu Communications from November 2016 to March 2018. Mr. Yang has served as the director, general manager and deputy chairman of the board of directors in Chengbei Exit Expressway Company since March 2018.

Mr. Yang obtained his bachelor's degree from Chengdu University of Science and Technology majoring in Organic Chemical Engineering in July 1988 and obtained a master's degree majoring in high polymer material from Sichuan United University in June 1994.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. SHU Wa Tung, Laurence (舒華東), aged 47, has served as an independent non-executive Director, the chairman of the Audit and Risk Management Committee and a member of the Strategy and Development Committee of the Company since November 2016. Mr. Shu has over 20 years of experience in audit, corporate finance and financial management. Mr. Shu worked at Deloitte Touche Tohmatsu and successively served as accountant, semi-senior accountant of assurance & advisory department, senior accountant of corporate advisory services department, and senior accountant, associate manager and manager of reorganization services group from March 1994 to October 2000. He served as a manager at Deloitte Touche Corporate Finance Ltd (a corporate finance service company of Deloitte Touche Tohmatsu) from July 2001 to November 2002. He served as an associate director of Goldbond Capital (Asia) Limited from November 2002 to April 2005. Mr. Shu served as the chief financial officer and secretary to the company's board of Texhong Textile Group Limited (a company listed on the Stock Exchange, stock code: 2678) from May 2005 to July 2008, overseeing the group's financial management functions. Mr. Shu served as the chief financial officer of Jiangsu Rongsheng Heavy Industries Co., Ltd* (江蘇熔盛重工有限公司) from July 2008 to June 2010, the chief financial officer of Petro-king Oilfield Services Limited (a company listed on the Stock Exchange, stock code: 2178) from July 2010 to July 2018. Mr. Shu is an independent non-executive director of Riverine China Holdings Limited (a company listed on the Stock Exchange, stock code: 1417), Twintek Investment Holdings Limited (a company listed on the Stock Exchange, stock code: 6182) and Goldstream Investment Limited (a company listed on the Stock Exchange, stock code: 1328) since November 2017, December 2017 and December 2019 respectively. He is the chief financial officer of Brainhole Technology Limited (formerly known as Top Dynamic International Holdings Limited) (a company listed on the Stock Exchange, stock code: 2203) since August 2018.

Mr. Shu graduated from Deakin University, Australia in September 1994 and obtained his bachelor's degree in business majoring in accounting, and completed his CFO Programme at China Europe International Business School (中歐國際工商學院) in November 2009. Mr. Shu was accredited as a certified public accountant by Certified Practising Accountant Australia in May 1997 and accredited as a certified public accountant associate by Hong Kong Institute of Certified Public Accountants in September 1997. Mr. Shu was admitted as a member to the Hong Kong Independent Non-executive Director Association in May 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. YE Yong (葉勇), aged 45, has served as an independent non-executive Director, a member of the Audit and Risk Management Committee, the chairman of the Remuneration and Evaluation Committee and a member of the Nomination Committee of the Company since November 2016. Mr. Ye is a professor and the head of Department of Accounting in Southwest Jiaotong University. Mr. Ye consecutively served as a technician and the secretary of Communist Youth League general branch of Pangang Group Company from July 1994 to July 1997, associate professor in School of Management Science and Engineering, Guizhou University of Finance and Economics from July 2005 to July 2006, associate professor in School of Information Management, Chengdu University of Technology from July 2006 to March 2007, and associate professor and professor in School of Economics and Management, Southwest Jiaotong University since March 2007. Mr. Ye has provided consulting services in Sichuan Haizhi Sci-Tech Co., Ltd. (四川海之科技股份公司) and Sichuan Great Technology Co., Ltd. (四川格瑞特科技公司) successively since January 2006. In addition, Mr. Ye has extensive experience in participating in the science projects such as the projects of National Natural Science Foundation, including taking charge of the project of research and empirical analysis on the effect of invisible ultimate controlling rights of listed companies from January 2007 to December 2009; taking charge of the project of study on corporate governance of large state-owned enterprises after the share-trading reform from September 2007 to December 2009; and participating in the project of improvement of presentation of financial statements in the PRC based on salience theory from January 2014 to December 2017.

Mr. Ye graduated from Southwest Jiaotong University with a master's degree in business administration in October 2001; graduated from Southwest Jiaotong University with a doctor's degree in management science and engineering in July 2005. Mr. Ye was recognised as a peer review expert by National Natural Science Foundation in March 2007; recognised as a paper review expert by the Academic Degrees Center of Ministry of Education in December 2013; admitted as an expert in the National Science and Technology Expert Database by Ministry of Science and Technology in December 2014 and recognised as a review expert by the Planning Office of National Philosophy and Social Science in September 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. LI Yuanfu (李遠富), aged 57, has served as an independent non-executive Director and a member of the Nomination Committee and the Remuneration and Evaluation Committee of the Company since November 2016. Mr. Li is a professor and the head of Teacher Development Center in Southwest Jiaotong University. Mr. Li served as a teaching assistant in Southwest Jiaotong University from July 1983 to September 1987, and served successively as a lecturer, deputy department head, assistant to the dean and associate professor in School of Civil Engineering, Southwest Jiaotong University from September 1987 to June 2001. Mr. Li served as the associate dean of School of Civil Engineering, Southwest Jiaotong University from July 2001 to December 2009; served as the professor in School of Civil Engineering, Southwest Jiaotong University from December 2009 to February 2014; served as the executive deputy head of the Teacher Development Center of Southwest Jiaotong University from March 2014 to May 2016; and served as the head of the Teacher Development Center of Southwest Jiaotong University from May 2016 to March 2017. Mr. Li has extensive experience in science research, including wining the Second Prize of Science and Technology Advancement awarded by Ministry of Railways in December 1997 and the First Prize of Science and Technology Achievement awarded by China Highway and Transportation Society in December 2011.

Mr. Li graduated from Southwest Jiaotong University in August 1983 majoring in railway engineering with a bachelor's degree in engineering; graduated from Southwest Jiaotong University in September 1989 majoring in railway engineering with a master's degree in engineering; and graduated from Southwest Jiaotong University in October 2000 majoring in road and railway engineering with a doctor's degree in engineering. Mr. Li was recognised as a professional registered consultant by Sichuan Consulting Trade Association (四川省諮詢業協會) in February 2008; appointed as a committee member of the Instructive Committee of Education of Railway Transportation and Engineering under the Ministry of Education by the Advisory Committee of University Education of Transportation and Engineering under the Ministry of Education in December 2008; appointed as the general secretary of Instructive Group of Education of Railway Transit and Bridge and Tunnel in February 2009; recognised as a famous teacher in Sichuan Province by People's Government of Sichuan Province in June 2009; recognised as one of the ninth-group leaders in academic and technical fields in Sichuan Province in July 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF SUPERVISORS

The following table sets forth information regarding the Supervisors:

Name	Position	Term of office *(Note)*
Ms. Jiang Yan	Chairman of the Supervisory Committee	9 May 2018 – Up to now
Ms. Wu Haiyan	Supervisor	21 November 2016 – Up to now
Mr. Pan Xin	Supervisor	21 November 2016 – Up to now
Ms. Xu Jingxian	Supervisor *(Employee Representative Supervisor)*	17 November 2016 – Up to now
Mr. Zhang Jian	Supervisor *(Employee Representative Supervisor)*	17 November 2016 – Up to now

Note: The commencement of the term of office represents the dates when these persons first assumed the positions listed in the table. For details of their other positions, please refer to the following. The term of the first session of the Supervisory Committee expired on 21 November 2019. Due to the postponement of the re-election procedures, according to the requirements of the Articles of Association, all of the members of the first session of the Supervisory Committee shall continue to discharge their respective responsibilities. For details, please refer to the announcement of the Company dated 20 November 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. JIANG Yan (蔣燕), aged 49, has served as a Supervisor since May 2018. Prior to joining the Group, Ms. Jiang served as an accountant in Chongqing Yongchuan Cocoon Silk Group Company (重慶永川蠶絲集團公司) from August 1991 to June 1993, the loan officer and deputy section chief of cashier's department in Jintang sub-branch, Chengdu branch of Bank of Communications from June 1993 to December 1995, a director of small local branch and deputy chief of accounting division in Jintang sub-branch, Sichuan branch of Industrial and Commercial Bank of China Limited from December 1995 to August 2004, the financial manager in Sichuan Jieshijie New Material Limited Co. Ltd. (四川傑事傑新材料有限公司) from August 2004 to March 2008, the supervisor of investment finance department in Chengdu Modern Agricultural Logistics Investment and Development Co., Ltd (成都市現代農業物流業發展投資有限公司) from March 2008 to March 2009, a deputy head of board's office in Chengdu Urban and Rural Commercial Logistics Investment and Development Group Co., Ltd. (成都城鄉商貿物流發展投資（集團）有限公司) from March 2009 to November 2010, the vice general manager of Chengdu Sino Gas Environmental Technology Co., Ltd (中油潔能（成都）環保科技有限公司) from February 2011 to May 2011, the CFO and vice general manager of Chengdu Energy Development Co., Ltd from May 2011 to April 2016 and the vice general manager of Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交通投資旅遊運輸發展有限公司) from April 2016 to February 2017. She served as the deputy department head of the operation and management department in Chengdu Communications from February 2017 to March 2018 and has been serving as the deputy department head of the capital operation department in Chengdu Communications since March 2018 and the director of the capital operation department of Chengdu Communications since April 2019.

Ms. Jiang finished her junior college courses at Sichuan Business College majoring in planning and statistics in July 1991 and graduated from Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in December 1997 majoring in economic management. Ms. Jiang received her economist certificate from the Ministry of Personnel of the People's Republic of China in October 1996.

Ms. WU Haiyan (吳海燕), aged 48, has served as a supervisor of Chengguan Expressway Company since April 2015, and has served as a Supervisor of the Company since November 2016. Ms. Wu served as an accountant in Chengdu Expressway Construction from December 1997 to February 2007 and an accountant in Chengdu Communications from February 2007 to January 2008. Ms. Wu served successively as the manager of finance department and deputy general manager of Chengdu Transportation Hub and Station Construction Management Company Limited (成都交通樞紐場站建設管理有限公司) from January 2008 to February 2015. Ms. Wu has served as the head of finance department of Chengdu Communications since February 2015.

Ms. Wu finished her junior college courses at Southwest University of Finance and Economics majoring in accounting in June 1993 and graduated from Correspondence College of the Party School of the Sichuan Provincial Committee of Communist Party of China (中共四川省委黨校函授學院) in June 2009 majoring in administration management. Ms. Wu was recognised as a senior accountant by Chengdu Reform of Professional Title Leading Group in May 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. PAN Xin (潘欣), aged 32, has served as a Supervisor of the Company since November 2016. Prior to joining the Company, Mr. Pan served as a director of the investment and development department of Chengdu Communications from July 2013 to August 2016. He has served as a manager of the investment and development department of Chengdu Expressway Construction since September 2016.

Mr. Pan graduated from Southwest Jiaotong University majoring in traffic transportation with a bachelor's degree in engineering in June 2010, and obtained his master's degree in engineering from Southwest Jiaotong University majoring in transportation planning and management in June 2013. Mr. Pan was recognised as a logistician by China Federation of Logistics and Purchasing and the National Logistics Standardization Technical Committee in December 2011.

Ms. XU Jingxian (許靜嫻), aged 42, has served as an Employee Representative Supervisor, manager of the Finance Department of the Company since November 2016 and was redesignated as the manager of the Audit Department of the Company from the manager of the Finance Department on 4 March 2019. Prior to joining the Company, Ms. Xu served as an accountant of Chengguan Expressway Company from August 1998 to April 2009, and has served as the manager of the finance department of Chengguan Expressway Company from April 2009 to November 2016. She has served as the supervisor of Chengwenqiong Expressway Company, Chengpeng Expressway Company and Chengdu Airport Expressway Company since May 2018 and a supervisor of Chengming Expressway Company since July 2019.

Ms. Xu graduated from Sichuan Provincial Fiscal School in July 1998 majoring in finance and accounting, and graduated from Sichuan University majoring in marketing in June 2005. Ms. Xu was recognised as a semi-senior accountant by Sichuan Province Personnel Department in October 2009. Ms. Xu obtained the certificate of senior accountant in July 2019.

Mr. ZHANG Jian (張建), aged 52, has served as the manager of the Party and Masses Human Resources Department and an Employee Representative Supervisor of the Company since November 2016. Mr. Zhang served successively as the leader of inspection team, assistant to station master and department manager of Chengwenqiong Expressway Company from June 1994 to May 2018, and served as an employee representative director without executive functions of Chengwenqiong Expressway Company from May 2015 to July 2019.

Mr. Zhang graduated with a college major in economic management from the Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in June 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of the Company:

Name	Position	Term of office (Note)
Mr. Tang Fawei	General Manager	9 December 2016 – Up to now
Mr. Zou Zhiquan	Chief Engineer	9 December 2016 – Up to now
Ms. Wang Xiao	Deputy General Manager	9 December 2016 – Up to now
Mr. Luo Dan	Chief Accountant	9 December 2016 – Up to now
Mr. Su Bing	Deputy General Manager	8 June 2017 – Up to now
Mr. Yang Jingdong	Deputy General Manager	9 December 2016 – Up to now
Mr. Jiang Zhuanping	Deputy General Manager	9 December 2016 – Up to now
Mr. Zhang Guangwen	Secretary to the Board and Joint Company Secretary	9 December 2016 – Up to now

Note: The commencement of the term of office represents the dates when these persons first assumed the positions listed in the table. For details of their other positions, please refer to the following.

Mr. TANG Fawei (唐發維), aged 50, is an executive Director and General Manager of the Company. For biographical details of Mr. Tang, please refer to the sub-section headed "Biographical Details of Directors" in this section.

Mr. ZOU Zhiquan (鄒志全), aged 51, has served as the Chief Engineer of the Company since December 2016, assisting the works of the General Manager and managing the Engineering Technology Department. Prior to joining the Company, Mr. Zou served successively as a technician, technical manager and construction manager in the construction sites such as Chengyu Expressway, Xinjin Leshan Dajian Road and Dongzikou Overpass from July 1991 to November 1993. He served successively as the project manager and chief engineer in the construction sites such as Liyutan Bridge of Liugui Expressway, Chengdu Laonanmen Bridge, A Contract Section of Longna Expressway, Chengmian Expressway Overpass of Chengdu Third Ring Road and Hubei Huangshi Yangtze River Highway Bridge, and served as a deputy director of the Sixth Engineering Division of the Provincial Bridge Engineering Company from August 1998 to March 2003. During the period from November 2004 to August 2007, Mr. Zou served multiple positions in Chengdu Road and Bridge Operation and Management Company Limited (成都市路橋經營管理有限責任公司), including the person in charge of bridge in engineering department, manager of quality management department, head of general engineering department, manager of engineering management department and manager of contract and cost management department; the deputy general manager of such company from August 2007 to February 2015; secretary of the Communist Party Committee, a director, and general manager of such company from February 2015 to April 2016. Mr. Zou has served as secretary of the Communist Party Committee, a director, and general manager of Chengpeng Expressway Company since April 2016 and the chairman of the board of directors of Chengpeng Expressway Company since May 2018.

Mr. Zou graduated from Nanjing College of Navigation Engineering in July 1991 majoring in construction management and engineering (foreign construction), and was recognised as a senior engineer by Chengdu Professional Title Reform Leading Group in March 2005.

Ms. WANG Xiao (王曉), aged 47, is an executive Director and Deputy General Manager of the Company. For biographical details of Ms. Wang, please refer to the sub-section headed "Biographical Details of Directors" in this section.

Mr. LUO Dan (羅丹), aged 52, is an executive Director and Chief Accountant of the Company. For biographical details of Mr. Luo, please refer to the sub-section headed "Biographical Details of Directors" in this section.

Mr. SU Bing (蘇兵), aged 51, has served as the Deputy General Manager of the Company since June 2017, assisting in the works of the General Manager and managing the Safety Management Department. Prior to joining the Company, Mr. Su served as a staff of Chengdu Long-distance Transport Company (成都長途運輸公司) from September 1987 to October 1990, officer, deputy-director officer and section chief of Chengdu Municipal Transportation Bureau from November 1990 to September 2004. Mr. Su served as the deputy general manager and president of the trade union of Chengpeng Expressway Company from October 2004 to March 2014. Mr. Su served as a deputy general manager of Chengwenqiong Expressway Company since April 2014 and the deputy secretary of the Party branch (person in charge) of Chengwenqiong Expressway Company since May 2018, responsible for safety, toll, road administration, monitoring and Party-mass, etc. management work. He has also served as a member of the labor union committee of Chengdu Communications, a committee of Chengdu Communications, from September 2014 to May 2018.

Mr. Su graduated from the Provincial Party School majoring in law in July 2001 and obtained his bachelor's degree provided for people with college degree from the Correspondence College of the Provincial Party School majoring in administration management. Mr. Su was recognised as an engineer by Chengdu Professional Title Reform Leading Group in December 2007. He was awarded the post qualification of assistant political engineer by Chengdu Enterprise Ideological and Political Staff Professional Post Evaluation Leading Group in March 2019.

Mr. YANG Jingdong (楊敬東), aged 51, has served as a Deputy General Manager of the Company since December 2016, assisting in the works of the General Manager, managing the Audit and Supervision Department. Prior to joining the Company, Mr. Yang served successively as a technician of Chengdu Towel and Bed Sheet Factory from July 1990 to January 1995, a valuation staff and valuer in Chengdu Shudu Accounting Firm (成都市蜀都會計師事務所) from January 1995 to September 1999, the head of valuation department of Sichuan Hengde Accounting Firm (四川恒德會計師事務所) from September 1999 to April 2002, the head of valuation department of Sichuan Chengzi Accounting Firm Company Limited (四川成諮會計師事務所) from April 2002 to June 2006, and technical director of Sichuan Erfenmingyue Real Estate Valuation Company Limited (四川二分明月房地產評估有限公司) from June 2006 to August 2007. Mr. Yang served successively as the responsible person of asset management department and head of general department of Chengdu Communications from February 2007 to July 2010. Mr. Yang has served as a deputy general manager and the president of labor union of Chengpeng Expressway Company since July 2010.

Mr. Yang graduated from Chongqing University in July 1990 majoring in mechanical manufacture technology and equipment with a bachelor's degree in engineering. Mr. Yang was recognised as an engineer by Chengdu Professional Title Reform Leading Group in July 1995; recognised as a PRC registered asset valuer by China Appraisal Society in June 1999; recognised as a registered real estate valuer by Ministry of Construction of the People's Republic of China in August 2000; and recognised as a PRC land valuer by Ministry of Land and Resources of the People's Republic of China in September 2003.

Mr. JIANG Zhuanping (蔣專平), aged 49, has served as a deputy general manager of the Company since December 2016, assisting in the works of the general manager, managing the investment and development department. Mr. Jiang has served as the deputy general manager of Chengguan Expressway since March 2011. He has also served as a director without executive functions of Chengwenqiong Expressway Company since May 2015. Prior to joining the Company, Mr. Jiang served as a teacher in Huoju Middle School in Tongjiang County, Sichuan Province from August 1988 to September 1993, and served as a teacher in Yangbo Middle School in Tongjiang from September 1993 to September 1994. From September 1994 to September 2000, he served as a teacher in Xinchang Middle School in Tongjiang. Mr. Jiang worked in the Division of Highway Management of Chengdu Municipal Transportation Bureau from July 2003 to May 2006 and was responsible for the implementation of policies relating to construction, maintenance and tolls of urban and rural highways in Chengdu. Mr. Jiang served as the deputy chief of Chengdu High-Grade Road Operation and Management Office from May 2006 to March 2011.

Mr. Jiang graduated from Sichuan Normal University majoring in Chinese language and literature in December 1993 and graduated from Southwest University of Political Science & Law majoring in economic law in July 2003. Mr. Jiang was awarded the legal profession qualifications by the Ministry of Justice of the People's Republic of China in February 2008.

Mr. ZHANG Guangwen (張光文), aged 44, has served as the Secretary to the Board of the Company since December 2016, managing the Office of the Board. Prior to joining the Company, Mr. Zhang served as an accountant and sales support staff of Sichuan Tire Rubber Group Company Limited from July 1998 to October 2003, and served as an auditor in Sichuan Zhongfa CPA Co., Ltd. from October 2003 to June 2007. Mr. Zhang served as an auditor in Chengdu Communications from June 2007 to December 2008. He consecutively served as the deputy manager and manager of finance department of Chengdu Communications Investment Property Company Limited from January 2009 to June 2016. Mr. Zhang served as a deputy general manager of Chengguan Expressway Company from June 2016 to December 2016.

Mr. Zhang graduated from Sichuan Industrial College majoring in Business Administration in July 1998 with a bachelor's degree in economics. Mr. Zhang was recognised as a certified accountant by Chinese Institute of Certified Public Accountants in April 2005.

CORPORATE GOVERNANCE STRUCTURE

The Company conducts its business strictly in accordance with the relevant laws and regulations and regulatory documents such as the Company Law and the Listing Rules as well as requirements of the Articles of Association. The Company has established an internal governance structure with sound policies and systems which consists of the general meeting, the Board and its special committees, the Supervisory Committee and senior management.

The Board believes that high standards of corporate governance are essential to providing a framework for the Company to safeguard the interests of Shareholders of the Company, enhance corporate value, formulate business strategies and policies, and enhance transparency and accountability. The Company managed to maintain high standards of corporate governance, and each of the internal governance departments was operated independently and efficiently with its respective duties and obligations being practically fulfilled.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code as its own corporate governance code. The Company has complied with the applicable code provisions throughout the period from the Listing Date to the end of the Reporting Period, except the deviation from code provision A.4.2.

As stated in code provision A.4.2, all Directors (including the Director whose tenure is designated) shall retire by turns once every three years at least. As disclosed in the announcement of the Company dated 20 November 2019, the terms of the first session of the Board and the Supervisory Committee of the Company expired on 21 November 2019. As the nomination of candidates for Directors and Supervisors of the Company for the new session has not been finished, to ensure the continuity of the Board and the Supervisory Committee, re-election of the members of the Board and the Supervisory Committee was postponed, and the terms of the special committees under the first session of the Board were extended correspondingly. The Company will endeavour to complete the re-election of the members of the Board and the Supervisory Committee as soon as practicable.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the code of conduct for all the Directors and Supervisors in conducting securities transactions of the Company. The Company has made specific enquiries to all the Directors and Supervisors, and they confirmed that they have complied with the requirements of the Model Code throughout the period from the Listing Date to the end of the Reporting Period.

CORPORATE GOVERNANCE REPORT

The Board

The Board performs its functions and exercises its powers in accordance with the provisions of the Articles of Association. The Board is responsible for overseeing the Company's businesses, strategic decisions and performance and should make decisions objectively in the best interests of the Company.

The Board currently comprises nine Directors, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors. The term of office of Directors shall be three years and is renewable upon re-election. Please refer to the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report for information on the specific members of the Board, their terms of office and biographical information. Apart from working relationships in the Company, none of the members of the Board have any financial, business, family or other material relationships with each other.

The general meetings, Board meetings and special committees meetings attended in person by the Directors during the Reporting Period are as follows:

	General Meeting	Board Meeting	Nomination Committee Meeting	Remuneration and Evaluation Committee Meeting	Audit and Risk Management Committee Meeting	Strategy and Development Committee Meeting
Number of meetings	2	11	1	2	8	6
Executive Directors						
Tang Fawei *(General Manager)*	2	11	N/A	N/A	N/A	6
Zhang Dongmin	2	11	N/A	N/A	N/A	N/A
Wang Xiao	2	11	N/A	N/A	N/A	6
Luo Dan	2	11	N/A	2	N/A	N/A
Non-executive Directors						
Xiao Jun *(Chairman of the Board)*	2	10	1	N/A	N/A	N/A
Yang Bin	2	11	N/A	N/A	8	N/A
Independent non-executive Directors						
Shu Wa Tung, Laurence	2	11	N/A	N/A	8	6
Ye Yong	2	11	1	2	8	N/A
Li Yuanfu	2	11	1	2	N/A	N/A

CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER

The Chairman of the Board and the General Manager of the Company are held by different persons. Mr. Xiao Jun, a non-executive Director, serves as the Chairman of the Board, and Mr. Tang Fawei, an executive Director, serves as the General Manager. The duties of the Chairman of the Board and the General Manager and the division of the work between them are clearly defined in writing to ensure a definite division of power and duties with clear-cut and efficient implementations of their respective duties.

The Chairman of the Board is responsible for formulating the corporate and operational strategies of the Company and ensuring the establishment of sound corporate governance practices and procedures. The General Manager is responsible for the management of the Company's business operation according to the authority delegated by the Board and the implementation of the corporate objectives and directions and risk management and internal control policies laid down by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmation letter from each of the independent non-executive Directors in respect of his independence as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors remain independent.

TERMS OF APPOINTMENTS OF NON-EXECUTIVE DIRECTORS

Pursuant to the Articles of Association, the Directors are elected at the general meetings of the Company with a term of three years. The actual terms of office of non-executive Directors should refer to the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

DUTIES OF THE BOARD

The Board is responsible for and has full power and authorities for the management and development of the Company. The functions and duties of the Board include: convening the shareholders' general meetings and to report on its work to the shareholders' general meetings; implementing the resolutions adopted by the shareholders' general meetings; determining the Company's business plans and investment plans; formulating the Company's annual plans for financial budgets and final accounts; formulating the Company's profit distribution plans and plans to cover losses; and exercising other powers, functions and duties conferred by the Articles of Association.

The Board is responsible for performing corporate governance functions, including (i) formulating and reviewing the corporate governance policies and practices of the Company; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices in complying with legal and regulatory requirements; (iv) formulating, reviewing and monitoring codes of conduct and compliance manuals (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

The Board delegates day-to-day operations of the Company to the management. The functions and duties of the management include: to be in charge of the Company's operation and management, to organise the implementation of the resolutions of the Board and report to the Board; to implement the Company's annual business plans and investment plans; to draft plans for the establishment of the Company's internal management organizations; to draft the Company's basic management system; to formulate the specific rules and regulations of the Company and to exercise other powers and functions granted by the Articles of Association and the Board. The Board and the management have clearly defined their powers and responsibilities under various internal control and balance mechanisms.

The non-executive Directors (including independent non-executive Directors) and Supervisors of the Company can obtain knowledge of the Company's business activities and business development trends through various channels to ensure that they can perform their duties properly. During the Reporting Period, the Company provided the following information, reports and training activities to assist Directors and Supervisors in performing their duties:

(i) reporting on the Board meetings and reviewing major matters such as annual work summary and progress on major issues;

(ii) consulting with non-executive Directors, independent non-executive Directors and Supervisors on the strategic decisions-making of the Company;

(iii) providing the independent non-executive Directors with documents and information required to perform their duties in a timely manner; and

(iv) arranging for Directors to participate in the training on the Listing Rules and providing advice on regulations to Directors and Supervisors upon request to help them fully and systematically understand the Company's operations and the relevant domestic and foreign regulations and principles regarding governance.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company has established procedures of training and development for Directors, Supervisors and senior management.

During the Reporting Period, all Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of Directors, the relevant laws and regulations applicable to Directors and the obligations of disclosure of interests. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

Name of Directors	Theme Training Notes	Monthly Law and Regulation Updates and Regulatory Dynamics
Executive Directors		
Tang Fawei *(General Manager)*	✓	✓
Zhang Dongmin	✓	✓
Wang Xiao	✓	✓
Luo Dan	✓	✓
Non-executive Directors		
Xiao Jun *(Chairman of the Board)*	✓	✓
Yang Bin	✓	✓
Independent Non-executive Directors		
Shu Wa Tung, Laurence	✓	✓
Ye Yong	✓	✓
Li Yuanfu	✓	✓

Notes:

(1) On 26 February 2019, all Directors, Supervisors and senior management of the Company participated in the training provided by the Hong Kong legal adviser of the Company regarding (i) the relationship with the controlling shareholders; (ii) inside information management; and (iii) connected transactions. The purpose of the training is to raise the awareness of corporate compliance management of the Group to effectively improve the governance of the Company.

(2) On 13 May 2019, all Directors, Supervisors and senior management of the Company participated in the training provided by the Hong Kong legal adviser of the Company on the Listing Rules regarding connected transaction and related cases of Hong Kong listed companies.

(3) On 13 November 2019, all Directors, Supervisors and senior management of the Company participated in relevant training provided by Tahota Law Firm, the domestic legal counsel of the Company, on the interpretation of "Measures for the Supervision and Administration of State-owned Assets Transactions of Chengdu Enterprises (《成都市企業國有資產交易監督管理辦法》)".

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has delegated certain of its duties to various committees. In accordance with the relevant PRC laws and regulations and the provisions on corporate governance prescribed in the Listing Rules and the Articles of Association, the Company has established four Board committees to oversee particular aspects of the Company's affairs, namely the Nomination Committee, the Remuneration and Evaluation Committee, the Audit and Risk Management Committee and the Strategy and Development Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of each of the Board Committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

NOMINATION COMMITTEE

As at the Latest Practicable Date, the Nomination Committee consisted of three Directors, namely Mr. Xiao Jun (non-executive Director), Mr. Li Yuanfu (independent non-executive Director) and Mr. Ye Yong (independent non-executive Director). Mr. Xiao Jun serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include: (a) reviewing the structure, number of members and composition of the Board at least once a year, and advising on any changes to be made by the Board in response to the Company's strategies; (b) studying and advising on the standards, procedures and methods for the election of Directors and senior management members; (c) searching for qualified candidates for Directors and senior management members; (d) evaluating the eligibility of candidates for Directors and senior management members and reporting to the Board its opinions and advise on the relevant appointment; (e) reviewing the independence of the independent non-executive Directors; and (f) advising to the Board on the appointment or re-appointment of Directors and senior management members, as well as the succession plans for Directors and senior management members (especially the Chairman of the Board and General Manager). For details, please refer to the Terms of Reference of the Nomination Committee.

The nomination process of Directors of the Company is as follows: first, the Nomination Committee shall actively study the demand of the Company for new Directors and senior management, taking into account the requirements of the Board diversity policy of the Company and present such information in writing; the Nomination Committee shall seek extensively for candidates for Directors and senior management from the Company, its wholly-owned, controlled and invested enterprises and the human resources market, gather information about the occupation, academic qualifications, positional titles, detailed work experience and all the concurrent posts of the candidates and present such information in writing; second, the Nomination Committee shall obtain the consent for nomination from nominees; third, the Nomination Committee shall convene a meeting to review the qualifications of the candidates based on the criteria for Directors; fourth, the Nomination Committee shall make suggestions to the Board on the candidates for Directors and submit the relevant materials; fifth, the Board shall review and approve the nomination of candidates for Directors and submit it for approval at the general meeting. Shareholders, either individually or in aggregate, holding more than 3% of the Shares of the Company shall have the right to nominate Directors through exercising its right of proposal. For the specific procedure of proposal, please refer to Article 133 of the Articles of Association.

The Company has established a Board diversity policy. When designing the composition of the Board, in order to achieve a diversity of perspectives among members of the Board, the Company will consider various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In making recommendation or providing advice to the Board in respect of appointing new Directors of the Company, the Nomination Committee of the Board shall fully take into account the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Meanwhile, the Company shall consider the above-mentioned factors based on its own business model and specific needs from time to time and make final decisions based on merits and contributions that the candidates will bring to the Board.

During the Reporting Period, the Nomination Committee actively performed its duties and convened one meeting, at which it reviewed the structure, number and composition of the Board of the Company, reviewed the independence of independent non-executive Directors, and considered and approved the continuing professional training program of Directors and senior management in 2019.

REMUNERATION AND EVALUATION COMMITTEE

As at the Latest Practicable Date, the Remuneration and Evaluation Committee consisted of three Directors, namely Mr. Ye Yong (independent non-executive Director), Mr. Luo Dan (executive Director) and Mr. Li Yuanfu (independent non-executive Director), and Mr. Ye Yong served as the chairman of the Remuneration and Evaluation Committee.

The primary duties of the Remuneration and Evaluation Committee include: (a) advising to the Board on the overall remuneration policy and framework for Directors and senior management members, and on the establishment of standardised and transparent remuneration policy formulation procedures; (b) studying assessment criteria, performance evaluation procedures, remuneration and rewards and punishment policies for Directors and senior management members and submitting the same to the Board for approval; (c) formulating the management rules on performance evaluation of Directors and senior management members of the Company, preparing the evaluation plan and determining the evaluation objectives; (d) reviewing and approving proposals on senior management's remuneration in accordance with the Company's guidelines and targets approved by the Board; (e) formulating and advising to the Board on the remuneration packages for Directors and senior management members and submitting the same to the Board for approval; (f) reviewing and approving the compensation required to be paid to the executive Directors and senior management members for the loss or termination of the office or appointment; (g) reviewing and approving the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct; (h) ensuring the Directors or their associates not to determine by themselves, or be involved in determining their remuneration; (i) supervising the implementation of the Company's remuneration policies; and (j) studying and advising on the Company's equity incentive plan and submitting the same to the Board for approval. Please refer to the Terms of Reference of the Remuneration and Evaluation Committee for details.

CORPORATE GOVERNANCE REPORT

The remunerations of the Directors and senior management of the Company are determined in accordance with the policies and objectives of the Company, remuneration paid by similar companies and time commitment and responsibilities assumed by such Director and senior management member and other factors. The remunerations of the Directors are determined at the general meeting and the remunerations and awards and punishments of the senior management members are determined by the Board. The Company makes no further determination or payments of the Directors' emoluments for the Directors who receive management remunerations from the Company or its Shareholders. During the Reporting Period, the emoluments received by the Board members and the senior management were strictly based on the proposal approved at the general meeting and by the Board.

The emoluments of the members of the senior management of the Company by band during the Reporting Period are set out below:

	Number	
	Year ended 31 December	
Band of emoluments (in RMB)	**2019**	2018
RMB200,000 to RMB300,000	**–**	2
RMB300,000 to RMB400,000	**–**	4
RMB400,000 to RMB500,000	**3**	2
RMB500,000 to RMB600,000	**5**	–

Further particulars regarding Directors' remuneration are set out in note 9 to the financial statements of this annual report.

During the Reporting Period, the Remuneration and Evaluation Committee actively performed its duties and responsibilities. It has held two meetings in total to consider issues such as granting business objective rewards to senior management personnel and confirming service allowances for independent non-executive Directors.

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the Latest Practicable Date, the Audit and Risk Management Committee consisted of three Directors, namely Mr. Shu Wa Tung, Laurence (independent non-executive Director), Mr. Ye Yong (independent non-executive Director) and Mr. Yang Bin (non-executive Director), and Mr. Shu Wa Tung, Laurence served as the chairman of the Audit and Risk Management Committee, who has a professional qualification in accountancy.

The primary duties of the Audit and Risk Management Committee include: (a) advising to the Board on the appointment, renewal, change or dismissal of external auditor and submitting the same to the Board for approval; approving and reviewing audit fees and appointment terms for external auditor; (b) reviewing and supervising the independence and objectivity of the external auditor and the effectiveness of the audit procedures according to applicable standards, and discussing issues related to the nature, category and reporting responsibility of auditing with external auditor before the auditing work starts; (c) formulating and implementing policies of non-audit services provided by external auditor, reporting and advising to the Board the actions they deem necessary to be taken or matters to be improved; (d) reviewing and supervising the completeness of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and reviewing the important opinions on the financial reporting recorded in the financial statements and financial reports; (e) reviewing the Company's financial overseeing, internal control and risk management systems, monitoring the implementation of such system on an on-going basis, and ensuring that the effectiveness of the Company's risk management and internal control systems is reviewed at least once a year; (f) reviewing the compliance by the Company with the applicable Corporate Governance Code and the disclosure requirements of corporate governance report as required by the regulatory rules at the place where the Shares are listed; (g) discussing on the risk management and internal control systems with the management of the Company to ensure the establishment of an effective internal control system by the management, supervising the effective implementation of internal control and the self-assessment conditions of internal control, and coordinating internal control audit and other related matters; (h) reviewing the Company's financial and accounting policies and practices; (i) confirming the list of the Company's related/connected parties and reporting to the Board and the Supervisory Committee; conducting a preliminary review of the related/connected transactions to be submitted to the Board for consideration and approval; and reviewing the reasonableness and necessity of major related transactions; (j) reviewing internal control valuation report reported by the internal Audit Department; and (k) supervising and controlling the risks that the Company is legally affected by the overseas sanctions to ensure a timely, complete and accurate disclosure of information related to the transactions subject to sanctions in accordance with such laws. Please refer to the Terms of Reference of the Audit and Risk Management Committee for details.

During the Reporting Period, the Audit and Risk Management Committee actively performed its duties and held eight meetings in total to consider issues such as proposing the selection and appointment of the Company's external auditor, supervising the Company's internal audit system, reviewing the financial statements for the year of 2018 and the auditor's report, reviewing the 2018 annual results announcement and the 2018 annual report of the Company, reviewing the 2019 interim report of the Company, reviewing the Company's internal control and risk management systems, and independently evaluating and supervising the compliance, legality and effectiveness of the Company's economic activities.

The Audit and Risk Management Committee has reviewed the annual results and annual report of the Company for the year 2019.

CORPORATE GOVERNANCE REPORT

STRATEGY AND DEVELOPMENT COMMITTEE

As at the Latest Practicable Date, the Strategy and Development Committee consisted of three Directors, including Mr. Tang Fawei (executive Director), Ms. Wang Xiao (executive Director) and Mr. Shu Wa Tung, Laurence (independent non-executive Director), and Mr. Tang Fawei served as the chairman of the Strategy and Development Committee.

The primary duties of the Strategy and Development Committee include: (a) establishing the basic framework for the Company's strategy-making procedures, studying and advising on the Company's medium and long-term strategic development plan; (b) studying and advising on major financing and investment plans which, according to the Articles of Association, should be approved by the Board or at the general meeting; (c) auditing and advising on the Company's annual business plan; (d) conducting study and advising on major capital operation and asset management projects which are required to be approved by the Board or at the general meeting according to the Articles of Association; (e) studying and advising on the plans for corporate reorganization, mergers and acquisitions, equity transfer, restructuring, organizational restructuring which, according to the Articles of Association, should be approved by the Board or at the general meeting; (f) studying and advising on other major events which may have influence in the Company's development; (g) conducting post-investment project assessments; and (h) supervising the implementation of the above matters. Please refer to the Terms of Reference of the Strategy and Development Committee for details.

During the Reporting Period, the Strategy and Development Committee actively performed its duties and held six meetings in total to conduct research and consider the Company's investment in 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is dedicated to the establishment and maintenance of a sound internal control system. The internal control system of the Company covers corporate governance, operation, management, legal affairs, finance and auditing. The Company has established internal rules and systems pursuant to the Company Law, the Listing Rules and other relevant laws and regulations, such as the Rules of Procedures for Shareholders' General Meetings, Rules of Procedures for Board Meetings, Rules of Procedures for Supervisory Committee Meetings and the terms of reference for specific committees, which stipulate, among others, the duties and responsibilities of the Board and the Supervisory Committee. The Company has adopted and implemented risk management policies and corporate governance measures in various aspects of the business operations such as financial reporting, legal compliance and human resources management.

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness through the Audit and Risk Management Committee. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Procedure for identifying, assessing and managing major risks

The Company has complied with the Risk Management Measures of Chengdu Expressway Co., Ltd. to clearly define the risk management process. The risk management process includes initial risk information collection, risk assessment, risk response as well as supervision and improvement of internal control and risk management.

Initial risk information collection: extensively and continuously collects internal and external initial information related to the Company's risks and risk management through various internal and external information collection channels, including historical data, future forecasts and risk loss cases of the Company and related domestic and foreign enterprises. The Company regularly conducts an initial risk information collection to implement dynamic management of the risk information.

Risk assessment: the Company conducts risk assessment based on the initial risk information collected regularly and various business management activities and its major business processes. The Company conducts a risk assessment at least once a year based on the initial risk information collection.

Risk response: according to its own conditions and external environment, the Company determines the risk appetite, risk tolerance, risk management effectiveness criteria, and selects appropriate risk management tools such as risk exposure, risk aversion, risk transfer, risk conversion, risk hedging, risk compensation and risk control based on the corporate development strategies. The Company set up risk management and control objectives annually.

Internal control: the Company formulates the corresponding internal control measures according to the inherent risks of each business process based on the Company's risk appetite, risk tolerance and risk management effectiveness criteria.

Supervision and improvement of risk management: after each department implements risk management control according to the response strategies, the department head shall regularly report to the management at the general manager's office meeting on the progress of the control and the updated information on the relevant risk changes collected during the implementation, so as to enable the management to timely receive the dynamic results of risk changes and make response actions. The Audit and Supervision Department will also employ a third-party organization to conduct control testing on the implementation by the departments implementing the risk response strategies according to the requirements of the Company's management, supervise the results of risk changes, and assist the departments in adjusting the risk response strategies in a timely manner.

Characteristics of risk management and internal control system

The Company has established three levels of risk management prevention, in which all departments carry out the first level of prevention, the Audit and Supervision Department (the internal audit department of the Company) and the Audit and Risk Management Committee carry out the second level of prevention, and the Board carries out the third level of prevention.

All departments of the Company and its subsidiaries shall implement their respective basic risk management process, following the organization, coordination, guidance and supervision of the Audit and Supervision Department of the Company in the overall risk management work.

The Audit and Risk Management Committee is comprehensively responsible for the Company's risk management work and is accountable to the Board. The Audit and Supervision Department is the designated management department for the Company's risk management work, responsible for the daily organization and coordination of the Company's risk management, and is accountable to the Company's Audit and Risk Management Committee. In the aspect of risk management, the Audit and Supervision Department is mainly responsible for studying and raising a comprehensive risk management supervision and evaluation system, formulating relevant systems for supervision and evaluation, conducting supervision and evaluation, and issuing audit reports on supervision and evaluation.

The Board is accountable to the general meetings for the effectiveness of the risk management.

Procedure for reviewing the effectiveness of risk management and internal control system

After the listing of the Company, the Audit and Supervision Department employed a third-party organization to conduct control testing on the implementation and internal control effectiveness of the departments implementing the risk response strategies according to the requirements of the Company's management, and assist the departments in adjusting the risk response strategies in a timely manner. At the end of each year, each department shall conduct risk self-assessment work based on the risk management objectives and control tables, the implementation conditions and results of the risk response strategies, and re-evaluate the probability of occurrence of major risks at each of the control points in the departments. At the same time, the Audit and Supervision Department or the external third-party organization shall review the risk self-assessment score based on the control testing results, and issue an annual risk assessment and improvement report, which will finally be submitted to the Board for review.

Procedure for addressing serious internal control defect

The Company has formulated a corresponding rectification plan for internal control defects based on the results of the annual internal control assessment results. The Audit and Supervision Department will conduct follow-up audits within a certain period after the audit to check the implementation status and effectiveness of the rectification.

On-going measures to monitor the implementation of risk management policies

The Audit and Risk Management Committee and senior management of the Company monitor the implementation of the risk management policies of the Company on an on-going basis to ensure that the Company's internal control system is effective in identifying, managing and mitigating risks involved in the operations. The Company has established the Audit and Supervision Department which is responsible for audit, internal control management, risk management and legal affairs.

The Company has reviewed the effectiveness of the Company's risk management and internal control during the Reporting Period. 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.

The Company has engaged an international advisory firm to supervise the Company's formulation and implementation of the internal control of the Company. The head of each department of the Company will regularly update the risk register and related risks and report and make recommendation for prevention to the Board. The Company will continuously optimise the risk management and internal control systems based on its existing systems, and will practically establish, perfect and implement corporate risk management and internal control system with definite division between powers and duties, scientific management and efficient implementation.

Inside information management

The Company has implemented a registration and filing system for the insiders, who should bear the responsibility of confidentiality for the inside information they know. The Company shall disclose the inside information to the public as soon as reasonably practicable after knowing any inside information or after the information has been identified as inside information by the Company's Board or the inside information management team, except for the inside information which is temporarily non-discloseable under the laws and regulations and regulatory rules. Regarding the aforementioned temporarily non-discloseable inside information, the Company shall take relevant measures to keep the inside information strictly confidential, and once the inside information is leaked, the Company shall immediately disclose it to the public, or (if necessary) apply for trading halt or suspension of trading of the Company's securities.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flows for that period. The Company deploys appropriate and sufficient resources to prepare financial statements. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit and Risk Management Committee and the Board, and respond to the queries and concerns raised by the Audit and Risk Management Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with the IFRSs and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The reporting responsibilities of the Company's auditor for the Company's consolidated financial statements for the year ended 31 December 2019 are set out in the independent auditor's report in this annual report.

INDEPENDENCE OF EXTERNAL AUDITOR

The Audit and Risk Management Committee is responsible for monitoring the independence of the Company's external auditor and determining the remuneration standards of the external auditor to ensure that their capacity in giving independent and objective opinions on the Company's financial statements or any other letters will not be prejudiced due to the provision of non-audit services.

All services provided and fees charged by the Company's external auditor are subject to approval by the Audit and Risk Management Committee to ensure a balance between their objectivity and economic interests. Except for interim review and annual audit services, the Company's external auditor generally may only provide limited services on tax related issues or specially approved items, including but not limited to merger and acquisition or financial due diligence and other accounting advice.

The Audit and Risk Management Committee of the Company regularly discusses the independence and objectivity of the external auditor. The Company also disclosed in detail the audit and non-audit service fees paid by the Company to the external auditor in its annual reports in accordance with the requirements of the Corporate Governance Report of Appendix 14 of the Listing Rules.

AUDITOR'S RENUMERATION

For the year ended 31 December 2019, the remuneration payable by the Company to its international auditor, Ernst & Young, is set out below:

	RMB'000
Audit services	2,594
Advisory services	–
Total	2,594

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Zhang Guangwen, the Secretary to the Board, and Ms. Kwong Yin Ping, Yvonne, a vice president of SWCS Corporate Services Group (Hong Kong) Limited who possesses the qualifications of company secretary as required under Rules 3.28 of the Listing Rules. The joint company secretaries are mainly responsible for facilitating the operation of the Board, ensuring the effective information communications among the members of the Board and the compliance with the policies and procedures of the Board, and ensuring the compliance with the Listing Rules and other regulations by the Company. Ms. Kwong Yin Ping, Yvonne's primary contact person of the Company is Mr. Zhang Guangwen.

All Directors have access to the advice and services from the joint company secretaries of the Company on corporate governance and the Board's practices and matters to ensure the compliance with the Board's procedures and all applicable laws, rules and regulations.

COMMUNICATIONS WITH SHAREHOLDERS

According to Article 67 of the Articles of Association, an extraordinary general meeting shall be convened upon request in writing by Shareholders, either individually or in aggregate, holding more than 10% of the Company's issued voting Shares. Please refer to Article 109 of the Articles of Association for the specific procedures for Shareholders to convene an extraordinary general meeting.

According to Article 70 of the Articles of Association, Shareholders, either individually or in aggregate, holding more than 3% of the Shares of the Company shall have the right to propose new proposals in writing to the Company, and the Company shall include the proposals into the agenda of such general meeting if they fall within the functions and powers of the general meeting.

The Company considers that effective communications with Shareholders are essential for enhancing the relations between investors and the Company, and investors' understanding of the Company's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders through general meetings. At the general meetings, Directors (or their delegates as appropriate) will meet Shareholders and answer their enquiries.

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The details of contact information are set forth as follows:

Address:	Chengdu Expressway Co., Ltd. 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu
Contact Telephone:	86 28 86056037
Fax:	86 28 86056067
E-mail:	cggfdb@chengdugs.com

The Company will strictly abide by its statutory obligations in respect of information disclosure, and carry out investor relations activities through various forms to actively promote the image of the Company, convey information to investors in a timely manner and consider their opinions and advices carefully, aiming to form a benign interaction between the Company and investors.

When conducting its investor relations work, the Company will actively communicate with investors through various manners, including setting up a platform on the website of the Company, telephone and e-mail.

DIVIDEND POLICY

The Company has adopted a dividend policy, and the formulation and implementation of the dividend policy conform to the provisions of the Articles of Association.

The dividend policy of the Company regulates that the proposed dividends shall be determined by the Board based on factors including: (i) the Company's actual and expected financial performance; (ii) the Company's profits and reserves available for distribution; (iii) the Company's working capital demands, capital expenditure demands and future expansion plans; (iv) the liquidity position of the Company; (v) the macroeconomic conditions and internal or external factors that may affect the business, financial performance and position of the Company; (vi) statutory and regulatory restrictions relating to dividend distribution; (vii) provisions of the Articles of Association, and shall be declared subject to the consideration and approval by Shareholders at the general meeting.

After the general meeting has passed a resolution on the profit distribution plan, the Board shall complete the distribution and payment of dividends within 2 months after the general meeting is held.

The cash dividends and other payments payable by the Company to the holders of the Domestic Shares shall be denominated and declared in RMB, and paid in RMB. The cash dividends and other payments payable by the Company to the holders of the H Shares shall be denominated and declared in RMB, and paid in Hong Kong dollars.

ARTICLES OF ASSOCIATION

The latest Articles of Association are published on the Company's website and the Stock Exchange's website on 27 March 2019. The Board proposed on 27 March 2020 to make certain amendments to the Articles of Association, the rules of procedure of the general meetings and the rules of procedure of the board of directors, the proposed amendments are subject to consideration and approval by Shareholders at the general meeting.

DIRECTORS' REPORT

The Board is pleased to present this report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

GROUP ACTIVITIES AND PERFORMANCE

The Company is primarily engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province. During the Reporting Period, there was no significant change in the business of the Company. The expressway network of the Company includes five expressways: Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway. In addition, the Company holds 40% equity interest in Chengbei Exit Expressway.

The Company's results for the year ended 31 December 2019 and the financial position of the Company as at the same date are set out in the audited financial statements of this annual report.

BUSINESS REVIEW

Description of the fair review of the Group's business and the analysis using the financial key performance indicators, and future prospects of the Group's business are set out in the sections headed "Financial and Operational Highlights", "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

FINANCIAL HIGHLIGHTS

The Company's results and financial position for the past five financial years are summarised and set out in the section headed "Financial and Operational Highlights" of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, save for the 400,000,000 H Shares issued by the Company in the Global Offering and 56,102,000 H Shares issued by the Company upon partial exercise of the over-allotment option, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" and note 26 to the consolidated financial statements of this annual report.

The total amount of the reserve distributable to equity Shareholders as at the end of the Reporting Period was approximately RMB678.816 million.

DIRECTORS' REPORT

DIVIDENDS

According to relevant provisions of the Articles of Association, in distributing its after-tax profits for relevant accounting year, the lower of the after-tax profits presented in the financial statements prepared according to PRC Generally Accepted Accounting Standards and International Financial Reporting Standards shall prevail. In addition, according to the Reply on the Profit Distribution in the Consolidated Financial Statements issued by the Ministry of Finance, the profit distribution of companies that prepare consolidated accounting statements shall be based on the distributable profits of the parent company. As such, the Board proposed to make profit distribution based on the relevant data stated in the financial statements of the parent company (i.e. the financial statements of the Company) which is prepared in accordance with the International Financial Reporting Standards. In 2019, the Company realised total comprehensive income for the year attributable to owners of the Company of RMB438,791,000 as stated in the consolidated financial statements, realised after-tax profit of RMB339,637,000 as stated in the Company's financial statements, of which distributable profit was RMB303,946,000.

The Board recommended a final cash dividend for 2019 of RMB198,732,240 in total, and based on the Company's current total number of Shares of 1,656,102,000, RMB0.12 per Share (tax inclusive). The dividend distribution proposal is subject to the approval by the Shareholders at the AGM to be held on 11 June 2020. If approved, the final dividends are expected to be paid on 10 August 2020 to Shareholders whose names appear on the register of members of the Company on 22 June 2020. Dividends payable to the holders of Domestic Shares will be paid in RMB, and dividends payable to the holders of H Shares will be paid in Hong Kong dollars. The amount of Hong Kong dollars payable will be calculated based on the average central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China during the calendar week prior to the announcement of declaration of the final dividend at the AGM (if approved).

The amount of dividends proposed for 2019 accounted for approximately 65.4% of the distributable profits stated in the financial statements of the Company during the year.

TAXATION ON DIVIDENDS

Pursuant to the Enterprise Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the EIT Law. The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

According to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Company shall withhold and pay individual income tax for individual Shareholders of the H Shares. If the individual Shareholders of the H Shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual Shareholders of the H Shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of such Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2015, No. 60) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to approval of the competent tax authority.

If the individual Shareholders of the H Shares are residents of the countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of the countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

Shareholders are required to consult their tax advisors as to Mainland China, Hong Kong and other tax implications regarding the ownership and disposal of H shares of the Company.

CLOSURE OF REGISTER OF MEMBERS

The 2019 AGM will be convened on Thursday, 11 June 2020. In order to ascertain Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 12 May 2020 to Thursday, 11 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all duly completed transfer forms accompanied by the relevant Share certificates shall be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Monday, 11 May 2020. Shareholders whose names appear on the register of members of the Company on Tuesday, 12 May 2020 shall be eligible to attend the AGM.

The register of members of the Company will be closed from Wednesday, 17 June 2020 to Monday, 22 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for receiving the final dividends, holders of H Shares shall lodge transfer documents with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Tuesday, 16 June 2020. Shareholders whose names appear on the register of members of the Company on Monday, 22 June 2020 shall be eligible to receive final dividends.

PUBLIC FLOAT

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 15 January 2019. Based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the Listing Rules as at the Latest Practicable Date.

SHARE CAPITAL

As at the date of this annual report, the total share capital of the Company amounted to RMB1,656,102,000, which was divided into 1,656,102,000 Shares with a nominal value of RMB1.00 each. The share capital structure of the Company as at the date of this annual report was as follows:

Class of Shares	Number of Shares	Percentage to the total issued share capital
Domestic Shares	1,200,000,000	72.46%
H Shares	456,102,000	27.54%
Total	1,656,102,000	100%

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of 31 December 2019, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2019, based on the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Company's Directors, Supervisors and chief executive) or corporations had interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 336 of the SFO:

Domestic Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this annual report	Percentage of total issued share capital as at the date of this annual report
Chengdu Communications Investment Group Corporation Limited (成都交通投資集團有限公司) 1	Interest in controlled corporation	Domestic Shares	Long position	900,000,000	100%	72.46%
	Beneficial owner	Domestic Shares	Long position	300,000,000		
Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司) 2	Beneficial owner	Domestic Shares	Long position	900,000,000	75%	54.34%

Notes:

(1) Chengdu Communications Investment Group Corporation Limited is wholly owned by Chengdu State-owned Assets Supervision and Administration Commission.

(2) Chengdu Expressway Construction and Development Co., Ltd. is a wholly-owned subsidiary of Chengdu Communications Investment Group Corporation Limited.

H Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this report	Percentage of total issued Share capital as at the date of this report
Guangdong Provincial Communication Group Company Limited (廣東省交通集團有限公司)[1]	Interest in controlled corporation	H Shares	Long position	100,000,000	21.92%	6.04%
Xin Yue Company Limited (新粵有限公司)[1]	Beneficial owner	H Shares	Long position	100,000,000	21.92%	6.04%
Chengdu Xiecheng Asset Management Co., Ltd. (成都市協成資產管理有限責任公司)[2]	Interest in controlled corporation	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Jiaozi Financial Holding Group Co., Ltd. (成都交子金融控股集團有限公司)[2]	Beneficial owner	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Rail Transit Group Co., Ltd. (成都軌道交通集團有限公司)[3]	Interest in controlled corporation	H Shares	Long position	49,950,000	10.95%	3.02%
Chengdu Rail Industrial Investment Co., Ltd. (成都軌道產業投資有限公司)[3]	Beneficial owner	H Shares	Long position	49,950,000	10.95%	3.02%
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)[4]	Investment manager	H Shares	Long position	49,900,000	10.94%	3.01%
Chengdu Urban Construction Investment Management Group Co., Ltd. (成都城建投資管理集團有限責任公司)	Beneficial owner	H Shares	Long position	49,900,000	10.94%	3.01%
Chengdu Environment Investment Group Company Limited (成都環境投資集團有限公司)	Beneficial owner	H Shares	Long position	45,450,000	9.96%	2.74%
Chengdu Tianfu New Area Investment Group Co., Ltd. (成都天府新區投資集團有限公司)[5]	Interest in controlled corporation	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Tianfu New Area Financial Holdings Co., Ltd. (成都天府新區金融控股有限公司)[5]	Trust beneficiary	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Industry Investment Group Co., Ltd. (成都產業投資集團有限公司)[6]	Interest in controlled corporation	H Shares	Long position	25,646,000	5.62%	1.55%
Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資有限公司)[6]	Beneficial owner	H Shares	Long position	25,646,000	5.62%	1.55%

Notes:

(1) Guangdong Provincial Communication Group Company Limited holds interests in 100,000,000 H Shares of the Company through its wholly-owned subsidiary, Xin Yue Company Limited.

(2) Chengdu Jiaozi Financial Holding Group Co., Ltd. is owned as to 40% by Chengdu Xiecheng Asset Management Co., Ltd.. Chengdu Jiaozi Financial Holding Group Co., Ltd. is interested in 50,000,000 H Shares of the Company.

(3) Chengdu Rail Industrial Investment Co., Ltd. is wholly-owned by Chengdu Rail Transit Group Co., Ltd.. Chengdu Rail Industrial Investment Co., Ltd. holds interests in 49,950,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd (中誠信託有限責任公司).

(4) As an investor manager, Fullgoal Fund Management Co., Ltd. holds interests in 49,900,000 H Shares of the Company. The fund it manages is the Fullgoal Fund Global Allocation No. 6 QDII – Asset Management Plan (富國基金全球配置6號QDII – 資產管理計劃).

(5) Chengdu Tianfu New Area Investment Group Co., Ltd. holds 100% interests in Chengdu Tianfu New Area Financial Holdings Co., Ltd.. Chengdu Tianfu New Area Financial Holdings Co., Ltd. holds interests in 42,939,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd.

(6) Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is wholly owned by Chengdu Industry Investment Group Co., Ltd.. Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is interested in 25,646,000 H Shares of the Company through investment in the Chengxin No.103 Trusted Overseas Wealth Management Project of China Credit Trust (中誠信託誠信海外配置103號受託境外理財項目).

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any person (other than Directors, Supervisors or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares of the Company which would be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

Maintaining good relationships with major service providers is essential in the supply chain, property management and meeting business needs, which can generate cost-effectiveness and promote long-term business benefits. Our major service providers include equipment supplier, engineering material supplier, external consultant providing professional services and other business partners who provide value-added services to the Group.

The total purchase amount of the Group during the Reporting Period amounted to approximately RMB321,998,000, of which purchases from the five largest suppliers of the Group accounted for 41.7% of our total purchase amount, and purchase from the largest supplier accounted for 14.8% of our total purchase amount.

Given the nature of our expressway business, the Group did not have any single customer that contributed more than 5% to its toll income, or that was otherwise material to it during the Reporting Period. During the Reporting Period, the sales of the Group to the five largest customers accounted for not more than 30% of the total sales of the Group.

None of the Directors, Supervisors, their respective close associates, or any of the Shareholders who, to the knowledge of our Directors, owns more than 5% of the Company's Shares in issue, had any interest in any of our top five suppliers.

DIRECTORS' REPORT

LIST OF DIRECTORS

The list of Directors during the Reporting Period and as at the Latest Practicable Date, save as otherwise stated, was set out in the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of Directors, Supervisors and senior management were set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the non-exempt connected transaction disclosed in this annual report, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries entered into any significant transactions, arrangements or contracts which are relevant to the Group's business and in which, a Director or Supervisor of the Company or his or her connected entity had direct or indirect material interests, and subsisted as at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors of the Company has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors have entered into service contract with the Company. None of the Directors or Supervisors has entered into a service contract which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the Reporting Period or as at the end of the Reporting Period, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of Shares or debentures of the Company or of any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company maintained Directors' liability insurance to protect them from any loss to which the Directors of the Company might be liable arising from their actual or alleged misconduct.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

COMPLIANCE WITH THE NON-COMPETITION AGREEMENT

On 29 June 2017, the Company and Chengdu Communications entered into a non-competition agreement (the "Non-competition Agreement"), pursuant to which Chengdu Communications has irrevocably undertaken that, Chengdu Communications and its subsidiaries (excluding the Company) will not, during the term of the Non-competition Agreement, and will procure their associates not to, directly or indirectly, engage in, individually or jointly, with other entities, or assist to engage in or participate in any business which competes with the Company's principal business in Sichuan Province.

Chengdu Communications has also undertaken to grant the Company an option, pursuant to which, the Company is entitled to acquire, at all times, from Chengdu Communications and its subsidiaries (excluding the Company) permissible under the applicable laws and regulations, any equity interest, assets or other interests in the new competing business (as defined in the Prospectus). In addition, if Chengdu Communications or its subsidiaries intends to assign, sell, lease, or transfer or license to use or permit to use in other manners, any equity interests, assets or other interests in the new competing business, the Company is entitled to right of first refusal which can be exercised at any time during the term of the Non-competition Agreement. For details of the Non-competition Agreement, please refer to the section headed "Relationship with Our Controlling Shareholders" of the Prospectus.

In March 2019, the Company received the letter from Chengdu Communications, a controlling shareholder, to the effect that Chengdu Communications, as a member of the consortium with three other companies, participated in and won the bid for the project of Jingkun Expressway Expansion from Mianyang to Chengdu, Expressway from Mianyang to Cangxi and Expressway from Cangxi to Bazhong (the "Project"). The members of the consortium will jointly set up a project company ("Project Company") to participate in the construction and operation management of the Project. In accordance with the Non-competition Agreement entered into between the Company and Chengdu Communications, Chengdu Communications undertakes that, Chengdu Communications and its subsidiaries (excluding the Group) will not, during the term of the Non-competition Agreement, and will procure their associates not to directly or indirectly, engage in, individually or jointly, with other entities, or assist to engage in or participate in any business which competes with the principal business of the Company in Sichuan province. As the Project may shunt part of cars heading for Mianyang, thus it may compete with Chengpeng Expressway, one of the principal businesses of the Company, to a certain extent. Chengdu Communications asked the Company in the letter if the Company would like to exercise the relevant rights to take part in the investment and request the Company to reply. Based on the analysis and calculation of the Project, all independent non-executive Directors of the Company believe that: (i) the Company proposes to focus on acquiring or investing in expressway projects with a reasonable return on investment. The Project has a relatively low return on investment in spite of a certain level of profitability; (ii) the Project is estimated to be a loss making situation in the first eleven years of the entire term of about 29 years of the operating period. If the Company takes on the equity interest held by Chengdu Communications in the Project Company, it is anticipated that the Company will undertake a long-term and continuous loss of the Project, and the amount of which would materially affect the performance of the Company; and (iii) based on the total investment amount of the Project, the equity interest which would be taken on by the Company and the requirement that the registered capital shall be at least 20% of the total investment amount of the Project, if the Company participates in the Project, it is expected to contribute approximately RMB2.3 billion to the registered capital of the Project Company (and may subsequently undertake guarantee liability for the debt financing of the Project), which would exert considerable pressure on the cash flow of the Company. Considering all above factors, all independent non-executive Directors of the Company have resolved that the Company will not participate in the investment, construction and operation of the Project, provided that the Company at all times reserves the acquisition options, right of first refusal and other rights under the Non-competition Agreement. If the Company exercises relevant rights, the Company will comply with approval procedures and disclosure requirements in accordance with applicable laws and regulations as well as the Listing Rules.

In April 2019, Chengdu Expressway Construction issued a letter to the Company regarding its acquisition of 100% equity interests in Chengming Expressway Company, and all the independent non-executive Directors considered and agreed that the Company would exercise its rights to acquire the equity interests in Chengming Expressway Company in accordance with the Non-competition Agreement and achieve control.

Chengdu Communications has provided a written confirmation to the Company, confirming that it has duly complied with all provisions and requirements under the Non-competition Agreement during the Reporting Period.

The independent non-executive Directors have reviewed all the necessary materials provided by Chengdu Communications for compliance with the Non-competition Agreement and confirmed that as at the date of this annual report, Chengdu Communications has fully complied with and did not breach any terms and requirements of the Non-competition Agreement.

NON-EXEMPT CONNECTED TRANSACTION

Non-Exempt Continuing Connected Transaction

During the Reporting Period, the Company has conducted the following non-exempt continuing connected transaction.

Chengdu Communications is a substantial Shareholder of the Company and hence a connected person of the Company under the Listing Rules. Therefore, the transactions between the Company and Chengdu Communications constitute connected transactions of the Company. The Company entered into a property leasing framework agreement (the "Property Leasing Framework Agreement") with Chengdu Communications on 29 June 2017, pursuant to which, Chengdu Communications Group may lease properties to the Group. The Property Leasing Framework Agreement has a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation. The rental shall be determined at arm's length negotiations between relevant parties and by reference to the prevailing market price of local properties in vicinity with similar size and quality. Please refer to the section headed "Partially-Exempt Continuing Connected Transaction" of the Prospectus for details.

The maximum amount of the rent payable by the Group to Chengdu Communications Group under the Property Leasing Framework Agreement will be RMB1.1 million, RMB2.6 million and RMB2.9 million for the years of 2018, 2019 and 2020 respectively, and the amount incurred in 2019 was RMB1.95 million.

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above during the Reporting Period followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors have reviewed and confirmed such continuing connected transactions have been entered into (i) in the usual and ordinary course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company have provided a letter to the Board and a copy of the auditor's letter has been provided by the Company to the Stock Exchange that, in respect of the above-mentioned continuing connected transaction: (i) nothing has come to their attention that causes them to believe that such continuing connected transaction has not been approved by the Board; (ii) nothing has come to their attention that causes them to believe that such continuing connected transaction was not conducted, in all material respects, in accordance with the relevant agreement governing the transaction; and (iii) such continuing connected transaction has not exceeded the annual caps set by the Company.

The Company's auditor, 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 Hong Kong Listing Rules.

NON-EXEMPT CONNECTED TRANSACTIONS

Entering into of the Construction Compensation Agreement

On 14 October 2019, Chengdu Airport Expressway Company and Chengdu Road and Bridge Management Co., Ltd. ("Chengdu Road & Bridge") entered into the construction compensation agreement. Chengdu Road & Bridge needs to occupy certain roads, side ditches and green belts on the K2+100m to K3+640m section of Chengdu Airport Expressway and demolish two pedestrian overpasses and appurtenances due to the construction of the renovation project of the Blue Sky Interchange (藍天立交) node involved in the 3rd Ring Road expansion and upgrading project. In accordance with the requirements of the construction compensation agreement, Chengdu Road & Bridge shall pay Chengdu Airport Expressway Company (1) lump-sum compensation of RMB2,566,859.17 for permanent occupation of certain green belts; (2) compensation of RMB55,440/day, RMB1,540/day and RMB5,775/day for temporary occupation of certain main sections, side ditches and green belts, respectively commencing from the 31st day (inclusive) of the respective occupation of relevant main sections, side ditches and green belts; (3) lump-sum compensation of RMB217,200 for demolition of pedestrian overpasses and appurtenances; (4) compensation of RMB7,985.59/day for impact caused to toll income of Chengdu Airport Expressway; and (5) safety monitoring and construction coordination fee totaling RMB100,000. Chengdu Road & Bridge is a wholly-owned subsidiary of Chengdu Expressway Construction, a controlling shareholder of the Company, and therefore it is a connected person of the Company. Accordingly, the transaction under the construction compensation agreement constituted a connected transaction of the Company. For details please refer to the announcement of the Company dated 14 October 2019.

Acquisition of 51% Equity Interests in Chengming Expressway Company

On 28 October 2019, the Company entered into the equity transfer agreement with Chengdu Expressway Construction, pursuant to which, the Company agreed to acquire and Chengdu Expressway Construction agreed to dispose of 51% equity interests in Chengming Expressway Company (the "Acquisition") at a consideration of RMB485,142,600, which was fully settled by the Company in cash. The Company also agreed to assume 51% of the debt due to Chengdu Expressway Construction by Chengming Expressway Company, being RMB393,750,600. Chengdu Expressway Construction is a controlling shareholder of the Company and it is therefore a connected person of the Company under the Listing Rules and the Acquisition constituted a connected transaction of the Company. The Acquisition was approved by the independent Shareholders at the extraordinary general meeting of the Company held on 16 December 2019. The Acquisition was completed on 20 December 2019. For details of the acquisition, please refer to the announcements of the Company dated 28 October 2019, 16 December 2019 and 20 December 2019, and the circular of the Company dated 29 November 2019.

Summary of the material related party transactions during the Reporting Period are disclosed in note 32 to the financial statements. Save as disclosed above and in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with, other related party transactions disclosed in note 32 to the financial statements do not constitute disclosable connected transactions under the Listing Rules.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Company regards environmental protection as an important corporate responsibility and places great emphasis on implementing environmental protection measures in our daily operations. The Company has established an environmental protection supervision team comprising general manager as the team leader, other senior management as the deputy team leader and the heads of various departments as members, and formulated the Administrative Measures for Urban and Rural Environmental Comprehensive Management to regulate the appearance, order, environmental sanitation and greening ecology at high-speed full-line, office areas and service areas. While the Company's main business is not in a highly polluting or hazardous industry, the traffic on the Company's expressways may produce exhaust gas, dust and noise pollution, and the Group's road maintenance, expansion or construction work may affect the surrounding vegetation, soil and water. Therefore, the Company has strictly controlled dust, noise and sewage discharge, and required measures such as closure, dust reduction and noise reduction be taken at the road construction site.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is subject to a number of laws and regulations, which mainly include the Company Law of the PRC, the Contract Law of the PRC, the Property Law of the PRC, the Labour Law of the PRC, the Highway Law of the PRC, the Safety Production Law of the PRC, the Road Traffic Safety Law of the PRC, Regulation on the Administration of Toll Roads, the Regulation on Highway Safety Protection and Sichuan Expressway Regulations.

Through internal control, compliance management, business approval procedures and employee training, the Company ensures compliance with applicable laws, regulations and regulatory documents, especially those that have significant impact on our main business; the Company will notify relevant employees and operating teams from time to time of any changes in applicable laws, regulations and regulatory documents applicable to our main business.

During the Reporting Period, to the best knowledge of the Directors, save as disclosed under the section headed "Progress of Land Use Rights" of this Directors' Report, the Company did not have any non-compliance with applicable laws and regulations that are significant to the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Company is of the view that its employees, customers and business partners are important to its sustainable development. The Company is committed to maintaining close relationship with its employees, providing quality services to customers and strengthening the cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity of the staff, offers competitive remuneration and benefits and career development opportunities based on their merits and performance. The Company also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.

The Group understands that customer satisfaction is critical to the Group's development. The Group created a sound driving experience for our customers by providing quality toll collection services, a safe driving environment, and beautiful highway scenery. At the same time, the monitoring centre and the road administration brigade of the Group can rush to the scene when receiving or discovering customer demand for assistance. To improve customer service level, the Group has established a customer complaint mechanism to deal with complaints promptly.

The Group is also dedicated to develop good relationship with suppliers and contractors to ensure the smooth and healthy development of the Group's business. The Group reinforces business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner to ensure quality and timely delivery.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the Reporting Period or subsisted as at the end of the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Article of Association and the laws of PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the financial statements of this annual report.

SERVICE CONCESSION ARRANGEMENTS

Details of changes in the service concession arrangements of the Group during the Reporting Period are set out in note 16 to the financial statements of this annual report.

EMPLOYEE AND REMUNERATION POLICIES

As at the end of the Reporting Period, the Group had an aggregate of 1,557 employees (31 December 2018: 1,634), including 1,377 front-line staff, accounting for 88.4% of the total; 133 general management personnel, including staff in finance, human resources and other departments, accounting for 8.5% of the total; and 47 middle-level department managers and above, accounting for 3.1% of the total.

The remuneration and benefit policies of the Group were implemented pursuant to the statutory requirements and the Management Measures for Benefits (《福利管理辦法》) of the Group. Staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined in accordance with the comprehensive appraisal results of the staff members based on the principle of "salary is determined based on position, and salary varies with position", which indicates strategies, market and performance orientation and internal and external impartiality.

DIRECTORS' REPORT

Pursuant to statutory requirements, the Group has participated in the employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as basic medical insurance, work injury insurance, unemployment insurance and maternity insurance for its employees.

The Company's executive Directors, senior management and the employee representative Supervisors received management remuneration based on their specific management positions in the Company. Remuneration of the senior management includes fixed salary and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and will be reviewed by the Remuneration and Evaluation Committee.

The Board determines the Company's annual operating performance targets each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the senior management of the Company. During the Reporting Period, the Company made allocation and assessment on eight key performance targets, namely operation results, specific tasks, reform and consolidation, operation and management, negative list, integrity, party construction and work appraisal.

Based on the operating performance targets approved by the Board, the Company will determine the annual tasks and targets for subsidiaries of all ranks, segregate and delegate the Company's objectives to the relevant enterprises and staff. Meanwhile, each subsidiary is required to sign accountability statements on operation results with the general manager of the Company. At the end of 2019, the Board and the general manager determined the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the senior management members accordingly. The remuneration of all senior management members is subject to review by the Remuneration and Evaluation Committee which need to be reported to the Board.

The Group values staff training and has established the Management Measures on Employee Training and a preliminary training system based on job competency. During the Reporting Period, the Company and its departments have organised various training sessions, which covered general management, operating management and professional skills, covering employees of all levels from front-line staff to senior management. The Group will also provide employees with comprehensive benefit plans and career development opportunities, including retirement plans, medical benefits and on-the-job training, IT training, safety training, toll calculation training and service etiquette training based on their needs.

During the Reporting Period, the relevant staff costs amounted to approximately RMB220,374,000 (2018: approximately RMB188,548,000). For details, please refer to note 8 to the financial statements of this annual report.

PROGRESS OF LAND USE RIGHTS

The Group had not obtained the land use right certificates for part of the land with a site area of approximately 166,593 square metres used for the expansion project of our Chengpeng Expressway (the "Land"). The Land accounts for approximately 18.4% of the land used for this expansion project. The Land consists of (i) the one additional lane which was added next to each of the exterior lane of the pre-expansion Chengpeng Expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway; and (ii) the two additional lanes which were added next to each of the exterior lanes of the pre-expansion Chengpeng Expressway for the road section between Chengdu No. 2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway.

The Group has applied for the relevant approval and certificate and has obtained confirmation letters from Chengdu Municipal Land and Resources Bureau on 29 May 2018 and 9 October 2018, which confirmed that (i) the intended use of land is in compliance with the regional planning, (ii) the application has been approved, (iii) there is no substantive impediment for the Company to complete the application, (iv) no administrative penalty had ever been issued against Chengpeng Expressway Company with respect to land use right, and (v) they will grant the land use right certificate when the administrative procedures have been completed. The Group has also obtained a confirmation letter from Sichuan Provincial Land and Resources Department on 5 June 2018, which confirmed that (i) the expansion project of Chengpeng Expressway is a key project for both Chengdu and Sichuan Province, critical to the wellbeing of local residents, and is in line with the overall land utilisation plan; and (ii) there is no substantive impediment for the Group to complete the application for land use right.

During the Reporting Period, the Group received the land expropriation approval for construction (Chuanfutu [2019] No. 177) issued by the People's Government of Sichuan Province on 7 May 2019, which confirmed that the land involved in the project was provided by the local people's government in accordance with laws and relevant regulations and will be used as the construction land for the expansion and renovation project of Chengpeng Expressway. The approval is a major requirement for obtaining project planning permit. At the request of Chengdu Planning and Natural Resources Bureau (being the government organ reformed and consolidated from, among others, Chengdu Municipal Land and Resources Bureau and Chengdu Municipal Planning Bureau), Chengpeng Expressway Company submitted relevant materials for application of the planning permit. Based on the feedback currently available, as a result of the reforms of the examination and approval system for construction projects and the requirements for establishment of land and space planning systems successively rolled out by the government in recent years, the original examination and approval procedures for construction projects have been changed. The expansion and renovation project of Chengpeng Expressway is subject to the establishment of local land and space planning system and may directly obtain the corresponding real estate certificate after passing the compliance review by the competent department of planning and natural resources authorities. Before obtaining the real estate certificate, the normal operation of Chengpeng Expressway will not be affected.

MAJOR RISKS AND UNCERTAINTIES

The risks faced by an enterprise refer to the impact of future uncertainties on the business objectives to be achieved by the enterprise. The risks faced by the Group primarily include policy risks, market risks and financial 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.

Policy risks and the corresponding measures

Renew or extend the duration of right to operate expressway

The remaining operating period of the Group's expressways ranges from 4 years to 18 years. While the Group strives to renew or extend the operating periods of its expressways, it cannot assure that the Group will be able to obtain the necessary approval from relevant government authorities. Failure to extend the duration of our right to operate the expressways may materially and adversely affect the Group's business, results of operations and financial condition. Any adverse change to such arrangements with local governments could have a material adverse effect on the Group's financial position, results of operations and prospects.

DIRECTORS' REPORT

Tolling policy

Toll rates charged by toll roads in China are set by various provincial or local government authorities. Any proposed toll rate increase requires approval by the relevant government authorities, taking into account various factors such as traffic flow, construction and operational costs of the expressways, prospective recovery periods of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to users. As an operator of expressways, the Company may from time to time apply to the relevant governmental authorities for a toll rate increase and the widening of expressways in order to meet the desired rate of return on our investments. However, the Company cannot assure that the governmental authorities will approve such application in a timely manner, or at all. Further, the Company cannot assure that the governmental authorities will not at any time request a toll rate reduction. If the governmental authorities do not approve a request by the Company to increase the toll rates in a timely manner, or at all, or request a toll rate reduction or exemption, the Company's business and results of operations may be materially and adversely affected.

In addition, pursuant to the Sichuan Province Management Regulation on Linking Expressway Toll Rates with Quality of Construction and Services (《四川省高速公路車輛通行費收費標準與工程和服務質量掛鉤管理辦法》) jointly promulgated by the Department of Transportation of Sichuan Province, Sichuan Provincial Development and Reform Commission and Finance Department of Sichuan Province, effective from 1 April 2016, toll rates of expressways located in Sichuan Province will be subject to annual adjustments based on an evaluation of an expressway's construction and services quality. For expressways that are currently in operation, if the service quality score of the expressway falls below 85 points or if major accidents have occurred on the expressway due to improper expressway management, the toll rates of such expressway will be lowered by 5% in the following year. The Company cannot assure that its toll rates will not be lowered in the future, which may have a material adverse effect on the revenue and results of operations of the Company.

In addition, the Classification by Vehicle Types on Toll Roads (JT/T489-2019) issued by the Ministry of Transport and implemented on 1 January 2020, stipulates that passenger vehicle and freight vehicle are charged according to the classification of vehicle types. Although vehicle classification standards have been adjusted by the competent authorities from time to time and such adjustments have not affected the Group's toll income significantly, there can be no assurance that any future guidelines, notices or changes of the government policies relating to transportation and logistics will not adversely affect the business, results of operations, financial conditions and prospects of the Group. In addition, certain vehicles are exempted from toll payment pursuant to the Regulations on the Administration of Toll Roads (《收費公路管理條例》), the Notice of the State Council on the Approval and Forwarding of the Implementation of the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays Promulgated by the Ministry of Transport and Other Departments (《國務院關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知》) (the "Holiday Toll-Free Policy") and the Notice on Further Improving Policies for Green Passage of Live Agricultural Products (Jiao Gong Lu Fa[2019] No. 99) (《關於進一步完善鮮活農產品運輸「綠色通道」政策的通知》). There can be no assurance that the relevant government authorities will not implement toll discount or toll-free policies and any other policies in relation to tolls or toll rates in the future, which may adversely affect the Group's business, results of operations, financial conditions and prospects.

Corresponding measures

For policy risks, on one hand, the Group will strengthen communication with and report to the competent governmental departments to seek the government's support; on the other hand, the Group will strengthen its corporate strengths to improve its risk resistance ability by taking measures such as making investments in new projects with good development potential to promote the continuous growth of the assets scale and operating performance of the Group.

Market risks and response measures

Impact of decline in traffic volume

Revenue from expressways of the Company primarily depends on the number of vehicles on its expressways. Traffic volume is directly and indirectly affected by a number of factors, including: toll rates, fuel prices, vehicle prices and the cost of owning and operating vehicles, mix between different vehicle classes using the expressways of the Company, capacity constraints on the number of vehicles and the mix of different vehicle classes that can efficiently use its expressways in any given period, occurrence of natural disasters, accidents, road closures or restricted access caused by upgrade, expansion and repair projects undertaken, and changes in laws, regulations and policies, etc.

The traffic volume on a given toll road is also influenced by the extent of its connectivity with other local and national route networks. Future changes in the route system and network in Sichuan Province may adversely affect the traffic volume on the expressways of the Company. Any decline in traffic volume may adversely affect the Company's revenue and earnings.

Impact of competing roads and alternative forms of transportation

The Company's results of operations may be affected by competition from the following sources: existing competing roads and bridges of a comparable quality, the expanding high speed train network and the planning and development of subways and inter-city light rail systems, and new competing expressways which may or may not have lower toll rates.

Alternative forms of transportation may provide travellers with more comfortable and convenient transportation services. The Company cannot assure that it will be able to maintain or improve the road conditions of its expressways in order to compete with existing and new forms of transportation. In the event there are changes to passenger and transportation patterns, resulting in a decrease in the overall traffic volumes on the expressways of the Company, the Company's business, financial position and results of operations could be affected.

Highways in the Chengdu metropolitan area that currently compete with the expressways of the Company include Chengqing Freeway (成青快速通道), Chengmian Expressway (成綿高速公路), Chengya Expressway (成雅高速公路), Chengwenqiong Highway (成溫邛快速通道) and Chengqingjin Freeway (成青金快速通道). In addition, Chengdu Economic Zone Ring Expressway (成都經濟區環線（三繞）高速), which is currently under construction, may potentially compete with Chengguan Expressway and Chengpeng Expressway in the future. Therefore, the Company cannot assure that the traffic volumes of the expressways belonged to the Company will maintain the same level or increase in the future, nor can the Company assure that the revenue and profit of the Company will not be adversely affected.

Corresponding Measures

For market risks, 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 keep on track of the traffic trends to ensure accuracy of operation and development strategic decisions of the Company.

Impact of the COVID-19 pandemic

The COVID-19 brings negative economic impact to various industries across the nation and the expressway industry in which the Company operates is not an exception. Fear of human-to-human transmission resulted in the closure of tourist attractions and public places, and a ban on large-scale entertainment and gathering activities, which greatly reduced people's travelling willingness. It is expected that the traffic volume of expressways of the Group will drop significantly compared with last year during the pandemic. At the same time, the extension of toll-free passage period for toll roads during the Spring Festival holiday will also adversely affect the Company's toll income.

Corresponding Measures

The Company will pay close attention to the development of the COVID-19 pandemic and the relevant control policies in Sichuan Province and Chengdu, make pre-judgment based on the situation, and formulate timely response measures to attract traffic volume, so as to promote the early recovery of traffic flow without violating the pandemic prevention and control policies and requirements imposed by the government.

Financial risks and corresponding measures

Uncertainties regarding the asset liquidity of the Company

As at the end of the Reporting Period, the net current assets of the Company was RMB413.3 million (2018: net current liabilities of RMB98.2 million), an increase of RMB511.5 million compared with 2018. The increase was mainly due to the increase in cash and cash equivalents as a result of the inflow of IPO proceeds. Meanwhile, during the Reporting Period, the Company had a net operating cash inflow of RMB1,015.7 million (2018: RMB161.4 million), representing an increase of RMB854.3 million over 2018.

Overall, the Company's asset liquidity in 2019 is better than that in 2018, but the inflow of proceeds is not sustainable, and the Company does not rule out the expressway engineering renovation projects, overhaul, etc. in the future. In addition, considering the significant adverse impact of the COVID-19 pandemic on the Group's toll income, it is uncertain whether the Company can maintain the same asset liquidity level as during the Reporting Period in future. If the Company's future liquidity declines, and it is determined that its cash demands exceed cash on hand, the Company may seek to issue debt or equity securities or obtain a credit facility. The Company cannot assure that it would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute the equity of Shareholders of the Company, while any incurrence of indebtedness could increase the Company's debt service obligations and cause the Company to be subject to restrictive operating and finance covenants. If having no sufficient working capital and unable to generate sufficient revenues or raise additional funds, the Company may delay the completion of or significantly reduce the scope of its current business plan or substantially curtail its operations, any of which could materially and adversely affect its business, financial condition and results of operations.

Changes in interest rates will affect finance costs and, ultimately, the results of operations of the Company

As at the end of the Reporting Period, the Company had total borrowings of RMB3,014.7 million and a gearing ratio (being total liabilities divided by total assets) of 54.2%. It has not been the Company's policy to hedge against movements in interest rates. The Company's interest rate risk mainly relates to cash deposits and long-term bank loans and other borrowings of the Company. Changes in interest rates in the PRC have affected and will continue to affect the finance costs and, ultimately, results of operations of the Company.

Corresponding measures

In view of the above risks, the Company has adopted the following risk control measures, including: (1) ensure the establishment of strategic cooperative partnership with domestic and foreign financial institutions through long-term stable cooperation; (2) appoint intermediaries when necessary to provide professional advice on the Company's financing decisions and implementation of financing programs; (3) investments in or establishment of new projects with good development potential and other measures, to promote the continuous growth of the asset scale and operating performance of the Company and attract more investment and financing programs.

For risks and uncertainties in other financial aspects of the Company, please refer to notes 3 and 35 to the financial statements of this annual report.

SUBSEQUENT EVENTS

The Company received the Notice on Waiver of Tolls on Toll Roads During Containment of COVID-19 Pneumonia from the Ministry of Transport of the People's Republic of China on 15 February 2020, pursuant to which, with approval of the State Council, the Ministry of Transport determined that tolls of toll expressways nationwide will be waived during the containment of the pneumonia epidemic caused by COVID-19. The waiver period shall commence from 00:00 on 17 February 2020 till the end of the containment of the epidemic. In this respect, such policy is applicable to Chengguan Expressway, Chengwenqiong Expressway, Chengpeng Expressway, Chengdu Airport Expressway and Qiongming Expressway owned by the Group as well as Chengbei Exit Expressway in which the Group holds equity interests. Since toll income constitutes the primary source of revenue of the Group, the Directors expected that the implementation of such policy will result in a significant decline in the revenue of the Group during the containment of the COVID-19 pneumonia, and in turn a material negative impact on the Group's financial position as of 30 June 2020 and the operating results for the first half of 2020. The Group will actively cooperate with the government to mitigate the negative impact caused to the Group by the epidemic. For details, please refer to the announcement of the Company dated 16 February 2020.

The Company entered into the project investment agreement with the People's Government of Pidu District in Chengdu, Sichuan province on 4 March 2020, pursuant to which, Pidu District Government shall support the Company to invest in the construction of a Class B expressway service area in proximity to Ande Toll Station (near K22 of Chengguan Expressway) within Pidu District. For details, please refer to the announcement of the Company dated 4 March 2020.

DIRECTORS' REPORT

On 27 March 2020, the Board resolved to make certain amendments to the Articles of Association, the rules of procedure of the general meetings and the rules of procedure of the board of directors of the Company. The resolutions in relation to the proposed amendments to the Articles of Association, the rules of procedure of the general meetings and the rules of procedure of the board of directors of the Company will be proposed at the AGM for consideration and approval. For details, please refer to the announcement of the Company dated 27 March 2020.

DONATIONS

During the Reporting Period, the Group made donations amounting to RMB20,678.

INDEPENDENT AUDITOR

Ernst & Young has been appointed by the Company as the international auditor of the year 2019. The financial statements of the year 2019 prepared in accordance with International Financial Reporting Standards have been audited by Ernst & Young, which has issued an audit report with unqualified opinions.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Company has discussed with the management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

The other sections, reports or notes to this report mentioned above form part of this Directors' Report.

By order of the Board
Chengdu Expressway Co., Ltd.
Xiao Jun
Chairman
Chengdu, the PRC, 27 March 2020

REPORT OF THE SUPERVISORY COMMITTEE

In 2019, with the support of the Board, the management team and various functional departments, the first session of the Supervisory Committee of Chengdu Expressway carefully implemented the regulatory requirements including the Listing Rules of the Hong Kong Stock Exchange and the Company Law and relevant provisions under the Articles of Association and the Rules of Procedure of the Supervisory Committee. In the spirit of responsibility to all shareholders, the Supervisory Committee performs its duties thoroughly and diligently, and carries out its work actively and effectively. The Supervisory Committee attended the general meetings and the Board meetings in accordance with the laws, conducted supervision over the production and operation of the Company and the performance of the Directors and senior management of the Company in accordance with the laws, and carried out various supervision tasks according to the factual situations, making positive contributions to effectively safeguarding the legitimate rights and interests of shareholders, and promoting the stable operation and high-quality development of the Company.

I. OPERATION AND SUPERVISION OVER THE PERFORMANCE OF DUTIES OF THE SUPERVISORY COMMITTEE IN 2019

(I) Continuous supervision over the operation and management of the Company

In 2019, while consistently performing its duties in accordance with regulations, the Supervisory Committee of the Company continued to strengthen the supervision over the finances, internal control and related operation work of the Company, reviewed the annual financial budget and final account report of the Company, conducted supervision and inspection of the Company's financial condition and proposed supervision opinions and participated in the review of investment in major projects of the Company. Through organizing Supervisory Committee meetings, the Supervisory Committee heard relevant reports, reviewed the annual report, financial budget and final account report and the self-assessment report of internal control of the Company to effectively exert its supervisory function and earnestly safeguarded the legitimate rights and interests of Shareholders and stakeholders, thus making positive contributions to the sustainable and healthy development of the Company.

(II) Regulate the convening of Supervisory Committee meetings to consider major matters of the Company

In 2019, pursuant to the relevant requirements on standard operation of listed companies, the Supervisory Committee conducted in-depth research and deliberations on the Company's major matters in relation to operations in accordance with the relevant system requirements under the Articles of Association and the Rules of Procedure of the Supervisory Committee, with the management of the Company's internal control as its focus. A total of 3 Supervisory Committee meetings were held during the year, at which six proposals were considered and approved, including the proposals on financial final account report of the Company for 2018, profit distribution plan for 2018, annual results announcement for 2018, the work report of the Board for 2018 and the work report of the Supervisory Committee for 2018, and the list of internal management and control authorization to the subsidiaries of the Company, and the report on the list of connected persons of the Company was heard.

(III) Attending the general meetings and the Board meetings to play a positive role in regulating decision-making and supervision

In 2019, members of the Supervisory Committee participated in 2 general meetings and attended 11 Board meetings in accordance with regulations, and heard the review of 2 proposals on the general meetings and 58 proposals on the Board meetings. During the meeting, all Supervisors actively performed their supervisory responsibilities, participated in the review of major matters such as operation plans, financial report preparation, profit distribution, acquisition of 51% equity of Chengming Expressway Company, construction projects, connected transactions and internal control, supervised the meeting convening procedures, decision-making process and legal compliance and paid attention to the situation of Directors participating in relevant meetings and expression of opinions and suggestions. During the inter-sessional period of the general meetings and the Board meetings, the members of the Supervisory Committee participated in or attended important meetings, including the General Manager's Office meeting of the Company, to continuously monitor the implementation of major decisions and daily and standard performance of duties of Directors and senior management of the Company.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON RELATED WORK OF THE COMPANY IN 2019

The Supervisory Committee earnestly performed the functions of informed supervision and inspection, supervised the operation and management behaviors of the Company, and expressed the following independent opinions on the relevant situation during the Reporting Period:

(I) Operation of the Company according to the laws

The Board of the Company manages strictly in compliance with relevant laws and regulations, such as the Listing Rules of the Hong Kong Stock Exchange, the Company Law and the Securities Law, and relevant requirements under the Articles of Association, and makes decisions according to lawful procedures. The convening and decision-making procedures of the general meetings and the Board meetings of the Company, resolutions and implementation of the Company on the resolutions of the Board meetings and the general meetings are in compliance with the laws, regulations and the Articles of Association of the Company and have no harm to the Company's interests and investors. The Company has gradually formed a standardized management system, strictly implemented and improved its internal control system.

The existing Directors and senior executives of the Company perform their duties diligently and abide by the laws and regulations, and have not violated the laws and regulations, the Articles of Association or harmed the interests of the Company.

(II) Financial conditions of the Company

The Supervisory Committee inspected and reviewed the financial system and financial conditions of the Company, and found that the financial management work of the Company during the Reporting Period was carried out in accordance with the current corporate accounting system and standards. The periodic report issued by the Company truly reflects the financial condition, operating results and cash flow of the Company. The financial report for 2019 of the Company was audited by Ernst & Young, which gave a true and fair view of the financial position of the Group as at 31 December 2019 and its operating results and cash flows in 2019.

(III) The connected transactions of the Company

The Supervisory Committee considers that the connected transactions of the Company during the year have been conducted in the usual and ordinary business of the Company and on normal commercial terms, the terms and conditions of which are fair and reasonable and in the interests of the Company and its shareholders as a whole. The continuing connected transactions of the Company during the year have been conducted under the principles of fairness, impartiality and openness. The transaction prices followed the pricing principles of these continuing connected transactions without exceeding the annual caps established by the Company, and were in the interests of the Company and its shareholders as a whole. The Supervisory Committee is not aware of any insider dealing or breach of good faith by the Board in any decision-making, execution of agreements or information disclosure.

(IV) Review opinions on the annual report of the Company for 2019

The Supervisory Committee has carefully reviewed the 2019 annual report prepared by the Board, and put forward the following written review opinions: the preparation and review procedures in respect of 2019 annual report of the Company complied with the laws and administrative regulations, the report reflected the actual situation of the Company truthfully, accurately and completely and there is no misrepresentation, misleading statement or material omission in this report.

(V) Opinions on the self-assessment report of internal control

After carefully reviewing the "Self – assessment Report of Internal Control of Chengdu Expressway Co., Ltd. for 2019", the Supervisory Committee believes that the Company has established a complete and clear corporate internal control and risk management system in respect of the businesses and matters included in the assessment scope pursuant to the requirements under the Listing Rules of the Hong Kong Stock Exchange and the domestic basic guidelines of internal control. During the Reporting Period, the Company has continued to improve the internal control system and risk management, strengthened the implementation of the internal control management system and sorted out compliance risk according to the operating management status of the Company. The internal control activities and systems of the Company run through all levels and links of business activities and are effectively implemented. The Company strictly implements various laws and internal management systems, and regulates the operation of the general meeting, the Board, the Supervisory Committee and the management, which effectively protect the legitimate rights and interests of the Company and Shareholders. There are no major deficiencies found in the internal control of the Company during the Reporting Period. The Supervisory Committee considers that the conditions of the Company's internal control and risk management meet the relevant requirements of the Hong Kong Stock Exchange.

III. WORK PLAN OF THE SUPERVISORY COMMITTEE FOR 2020

In 2020, the work of the Supervisory Committee will align closely with the development planning and strategic goals of the Company, the Supervisory Committee will improve the effectiveness of supervisory functions, broaden the vision and methods of supervision, strengthen its own development and give full play to the important role of the Supervisory Committee in the "Three Governance Bodies" structure, striving to make new contributions to the leapfrog development of the Company pursuant to requirements of corporate governance.

(I) Performing supervision duties according to the laws and regulations

The Supervisory Committee will continue to supervise the compliant and legal decision-making and operation of the Board, the implementation of decisions by the senior management and the daily performance and fulfillment of duties of Directors and chief officers in order to continuously promote the Company to improve its management standard.

(2) Continuously improving supervision methods

By attending important meetings of the Company, in addition to the combination of daily supervision with centralized supervision, the Supervisory Committee will combine supervision over financial conditions and internal control with supervision over performance and fulfillment of duties, and conduct comprehensive evaluations. The introduction and combined use of multiple supervision methods will effectively improve the performance of the supervisory responsibilities of the Supervisory Committee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

The Group is pleased to present you with our second Environmental, Social and Governance Report (the "Report"). The Report summarises the Group's progress in implementing the concept of sustainable development and corporate social responsibility.

Reporting standards

The Report covers the disclosure obligations as required in the ESG Reporting Guide (the "Guide") set out in Appendix 27 of the Listing Rules and is prepared based on the reporting principles under the Guide.

Reporting scope

The Report focuses on the overall performance of the Group's principle businesses in various aspects of sustainable development during the Reporting Period. As we only acquired Chengming Expressway Company on 16 December 2019 and it has relatively less impact on the Group's overall business during the year, this Report does not disclose information of Chengming Expressway Company. Unless otherwise stated, information contained in the Report covers businesses directly controlled by the Group. For details of the Group's corporate governance, please refer to the "Corporate Governance Report" section in this annual report or the Group's official website (http://www.chengdugs.com/).

Reporting language

The Report is published in traditional Chinese and English and in case of any inconsistencies, the former shall prevail.

Feedback to the Report

Your feedback to the Report serves as an important factor for the formulation of the Group's business development strategies. If you have any inquiry or suggestion as to the Report or the sustainable development policies of the Group, please contact us via e-mail (cggfdb@chengdugs.com).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. SUSTAINABLE DEVELOPMENT STRATEGIES

The Group tracks the impact of business operations on the environment and the society, and is committed to achieving sustainable business development and fulfilling our social responsibilities. Our sustainable development strategies cover all aspects of business operations, employees, environment and society, aiming to actively enhance the Group's performance in fields of environment, society and governance.

2.1. Environmental, Social and Governance Working Group

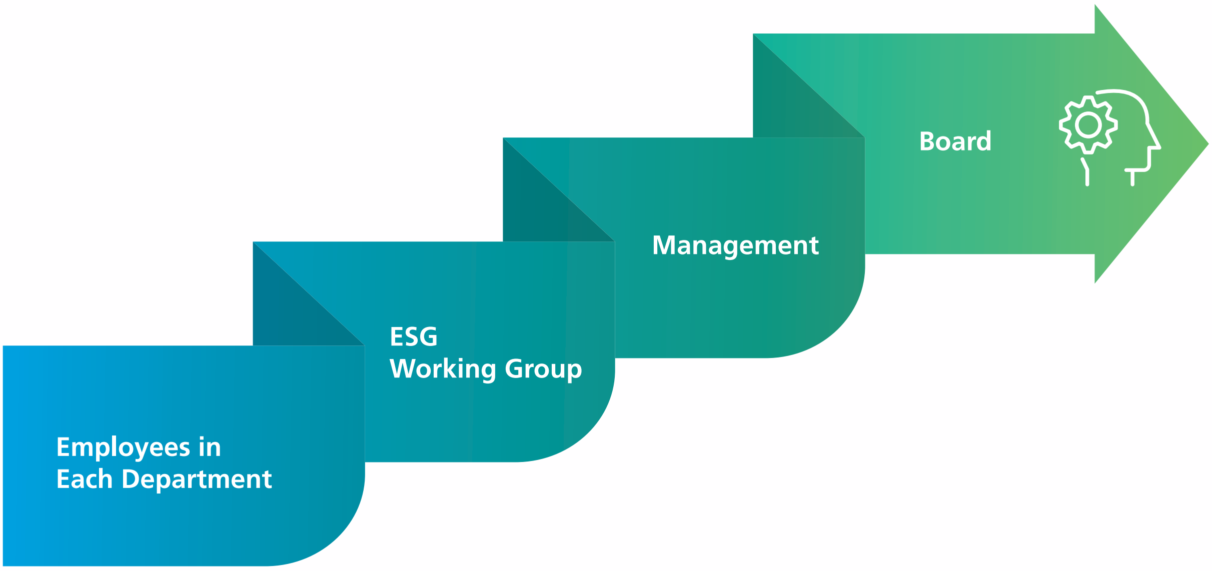
The Board of the Company holds all responsibilities for the ESG strategies and reporting. The Board is responsible for assessing and determining ESG risks, ensuring the establishment of an appropriate and effective ESG risk management and internal control system, and supervising the management to review the effectiveness of relevant systems. In order to further strengthen the monitoring of ESG risks, the Group has established an ESG working group to assume special management of ESG practices and report the progress to the Board on a regular basis.

The ESG working group comprises senior management personnel, who are determined by the Board upon consideration. The group leader is nominated by the chairman of the Company and appointed by the Board. The terms of office of any member is the same as that of the senior management personnel, and may be re-elected upon expiration of his/her term. The responsibilities of the ESG working group include:

- supervising ESG issues, including the quality of working environment, environmental protection, operating practices, community engagement and animal protection;
- maintaining the operation of the corporate social responsibility management system and enhancing employees' awareness of corporate social responsibility;
- promoting relevant departments to implement various ESG policies;
- responding to the opinions of shareholders and important stakeholders on major ESG issues;
- ensuring that the Group complies with relevant legal and regulatory requirements and monitoring and addressing the latest ESG topics; and
- putting forward recommendations to the Board when and as appropriate to enhance the Group's ESG performance.

2.2. Stakeholder Engagement

The Group attaches importance to the opinions of various stakeholders on ESG issues and actively maintains close communication with them to keep posted of their opinions and expectations on ESG topics for the purpose of formulating sustainable development strategies based on their concerns. During the Year, the Group reached out to stakeholders from different sectors, including shareholders/investors, customers, employees, business partners, suppliers, regulators, media, community/non-governmental organisations, etc..



ESG System

Stakeholders	Major topics of concern	Communication channel
Shareholders/Investors	• Economic performance • Compliance operation • Information transparency • Effective communication	• Annual general meetings and other general meetings • Investor conferences • Interim and annual reports • Corporate communications • Results announcements • Shareholder visits • E-mails
Customers	• Customer service • Complaint handling • Information security	• Daily operation/ communication • Telephone calls • E-mails

Stakeholders	Major topics of concern	Communication channel
Employees	• Salaries and benefits • Occupational safety and health • Training and development	• Work performance interviews/ appraisal • Panel discussions/meeting • Employee congress • Employee opinion survey • Seminars/workshops/lectures • Publications/business briefs • Volunteer activities • WeChat exchange groups/ e-mails • Employee mailbox
Business partners	• Compliance operation • Common development • Harmonious co-existence	• Reports • Conferences • Visits • Lectures
Suppliers	• Fair competition • Sustainable supply chain • Transparent procurement	• Supplier management procedures • Supplier/contractor evaluation system • Conferences • Site visits
Regulators	• Compliance operation • Information transparency	• Compliance reports • Conferences
Media	• Information transparency	• Press releases • Senior management visits • Press conferences • Official website
Community/ Non-governmental organisations	• Community welfare • Environmental protection	• Donations • Community activities • Volunteer activities

Based on communication with stakeholders, we understand the ESG issues that stakeholders are concerned about and formulate the Group's sustainable development strategy. The Group's sustainable development strategy covers "compliance operation", "workforce", "environmental protection" and "community welfare".

3. COMPLIANCE OPERATION

The Group is committed to clean operation and strictly abides by laws and regulations promulgated by the State and regulatory agencies. We standardize the investment, construction, operation and management of expressways to improve the overall level of governance. Through the establishment of a sound internal control and risk management system, the Group focuses on improving the utilizing quality and service quality of expressways, thereby maintaining a sound corporate image and promoting stable business development.

3.1. Road Safety

As the investor, operator and manager of expressways, the Group attaches great importance to the quality, progress, investment and safety management of road facilities to maintain expressway traffic safety. The Group strictly abides by the "Contract Law of the People's Republic of China", the "Property Law of the People's Republic of China", the "Highway Law of the People's Republic of China", the "Safety Production Law of the People's Republic of China", the "Road Traffic Safety Law of the People's Republic of China", the "Toll Road Management Regulations", the "Road Safety Protection Regulations", the "Sichuan Province Expressway Regulations" and other laws and regulations, and is committed to protecting the rights and interests of road users and other stakeholders.

For the purpose of the maintenance and management of expressways, the Group has prepared the "Expressway Maintenance and Management Measures" (《高速公路養護管理辦法》). Following the principle of "precaution as focus, combination of precaution and control, reasonable planning and overall maintenance", the Group earnestly implements the inspection system and various maintenance and management operation regulations, so as to identify and eliminate potential safety hazards in a timely manner and maximise the service life of roads and facilities. In accordance with the industrial standards of the People's Republic of China, namely "Evaluation Standards for Technical Conditions of Highways", "Technical Specifications for Highway Maintenance" and "Highway Bridge and Culvert Maintenance Specifications", as well as the relevant operating regulations of the competent administrative department of transportation. We carry out inspection and evaluation for the expressways and arrange appropriate maintenance. We adopt modern management and advanced maintenance technology, develop and promote the application of new technologies, new materials, new processes and new equipment, and aim at 100% qualified rate of road facilities to improve the quality and efficiency of maintenance projects.

Principles of Expressway Maintenance and Management

3.2. Customer Experience

The Group provides high-quality toll service, safe driving environment and beautiful scenery along expressways to create a good driving experience for road users. In order to reduce traffic congestion during rush hours, we have pushed forward the intelligent transportation construction, and set up electronic toll lanes at all toll gates to improve operational efficiency. The Group also maintains a monitoring centre and a highway brigade to ensure smooth road safety and provide timely and appropriate support to road users to take care of customers' needs and improve customer service standards.

3.2.1 Compliant Handling

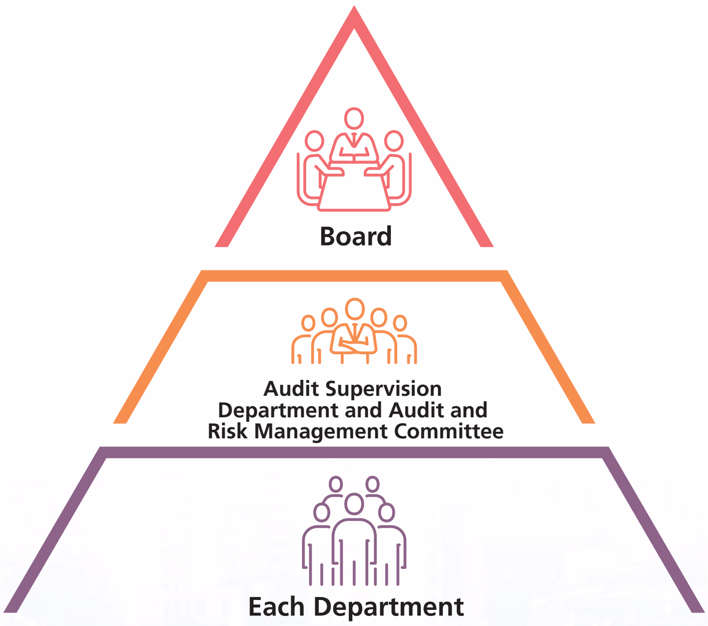
The Group has established a sound customer complaint handling mechanism to standardise complaint handling procedures. Customers may report and make suggestions on acts that infringe their legitimate rights and interests and damage the image and credibility of the Group through letters, e-mails, faxes, telephone calls or visits. The Complaint Centre will coordinate and supervise the handling of complaints about the Group's service behaviors in accordance with the "Complaint Handling Measures" (《投訴處理辦法》). Upon receiving a compliant, the operator will put forward preliminary handling opinions, and the person in charge of the Complaint Centre and the responsible director will examine and approve the handling method of the complaint. In order to protect the rights and interests of all relevant parties, we have also established a complaint handling, inspection and supervision system to ensure proper complaint handling, timely completion of cases and reply to complainants. During the Reporting Period, the Group received a total of 18,107 telephone inquiries and 535 business complaints, all of which have been properly handled.

3.2.2 Business Information

In terms of business information, we strictly protect customer information security and their legitimate rights and interests. The Group abides by the state's rules and regulations, such as the "Confidentiality Law of the People's Republic of China" and the "Measures for the Implementation of the Confidentiality Law of the People's Republic of China" and has compiled the "Confidentiality Work System" (《保密工作制度》) and the "Archives Management System" (《檔案管理制度》) to clarify the confidentiality rules and requirements for various positions and regulate the collection, collation, storage, use, archiving and filing of archives. The Group reasonably authorise the data access rights of each post, and comprehensively maintains the integrity of customer information by installing genuine operating systems and office software, setting account passwords, using IP addresses and other multiple measures. As for matters related to advertising and intellectual property rights, the Group abides by laws and regulations such as the "Advertising Law of the People's Republic of China", the "Patent Law of the People's Republic of China", the "Rules for the Implementation of the Patent Law of the People's Republic of China", the "Trademark Law of the People's Republic of China" and the "Intellectual Property Law of the People's Republic of China" to ensure accurate, true and complete information is transmitted to the public, fraud of false or misleading trade descriptions is eliminated, and all legal rights such as intellectual property rights, legal patent rights, trademark rights and copyright of the Group and business partners are safeguarded.

3.3. An Incorruptible Enterprise

The Group is determined to promote an incorruptible corporate culture and strictly abide by laws and regulations, such as the "Supervision Law of the People's Republic of China", the "Company Law of the People's Republic of China", the "Criminal Law of the People's Republic of China", the "Anti-Money Laundering Law of the People's Republic of China" and the "Highway Law of the People's Republic of China". We have formulated "Risk Management Measures" (《風險管理辦法》), "Compliance Management Measures" (《合規管理辦法》) and "Internal Audit System" (《內部審計制度》) to clarify the process of risk data collection, assessment and response, and to establish a comprehensive internal control and risk management system. The Group's internal governance structure consists of shareholders' meeting, the Board, special committees, the supervisory committee and senior management. Risk management is vested at three levels, namely, each department, the Audit Supervision Department and the Audit and Risk Management Committee and the Board. The Audit and Risk Management Committee shall independently evaluate and supervise the compliance, legality and efficiency of the business activities of the Group, and report the same to the Board.



Risk Management System

In order to strengthen the regulation of employees' personal behaviors, the Group has compiled "Anti-Money Laundering Management Measures" (《反洗錢管理辦法》), "Micro-Corruption Management Measures" (《治理"微貪污"管理辦法》), "Anti-Fraud Management Measures" (《反舞弊工作管理辦法》), "Party Conduct and Integrity Interview System" (《黨風廉政約談制度》), "Party Conduct and Integrity Construction Publicity and Education Work System" (《黨風廉政建設宣傳教育工作制度》), "Discipline Inspection and Supervision Complaint Handling Work Measures" (《紀檢監察信訪舉報辦理工作辦法》), "Discipline Inspection Personnel Supervision Implementation Rules" (《紀檢人員監督實施細則》) and "Funds Payment Management Measures" (《資金支付管理辦法》) to prevent acts of favoritism. We also encourage employees and parties who have business dealings with the Group to report possible fraud within the Group through customised reporting channels such as telephone, e-mail and letters to safeguard the integrity of the Company. During the Reporting Period, we did not receive any lawsuits or any cases of corruption, bribery, extortion, fraud and money laundering against the Group or its employees.

3.4. Supply Chain Management

The Group understands that maintaining a sound cooperative relationship with suppliers is crucial to the smooth development of its business. We have complied with the relevant laws and regulations, such as the "Tendering and Bidding Law of the People's Republic of China" and the "Regulations of the People's Republic of China on the Implementation of the Tendering and Bidding Law". We have compiled the "Interim Measures for Contract Management" (《合同管理暫行辦法》) and the "Interim Measures for Tendering Management" (《招標管理暫行辦法》) to standardise the principles and procedures of tendering and bidding, and have continued to communicate with suppliers to ensure timely delivery and quality of supply. The Group's bidding projects are based on the principles of independence and "comparison", and suppliers are evaluated according to factors such as bidding demand, quotation, quality and service requirements. In order to strengthen the prevention of related operational risks, the Group's contract management department is responsible for the preparation, review and filing of tender documents, while the audit supervision department is responsible for the legality, compliance and procedural review of tender documents. We will specify in detail the relevant bidding conditions, overview and scope of the bidding, as well as the indicative qualification requirements for bidders, including qualification level (whether there is a valid business license and safety production license, etc.), financial condition, relevant construction performance (implementation of environmental protection and pollution prevention, project quality control and safety supervision, etc.), reputation, qualification of project personnel and on-the-job requirements, etc. to ensure that the selection of suppliers meets the needs of various businesses and management, and strictly prevent relevant environmental and social risks.

During the Reporting Period, more than 370 suppliers were involved in the Group's business operation, which fall into sectors of service, procurement, construction and leasing as follows:

City/Province	Number of suppliers
Sichuan	313
Hong Kong	19
Beijing	17
Shenzhen	5
Chongqing	3
Zhuhai	2
Hebei	2
Jiangxi	2
Guangzhou	1
Zhengzhou	1
Fujian	1
Shanxi	1
Shanghai	1
Other cities of Guangdong	1

Country/Region	Number of suppliers
The United States	2

4. WORKFORCE

The Group proactively broadens the channels of talent recruitment to match its business development strategy and business planning. By providing a fair and safe workplace, competitive compensation and benefits, adequate training and development resources, and career development opportunities, we can enhance employees' professional capability and diversified development while enhancing enterprise cohesion. As at 31 December 2019, the Group had 1,557 employees.

4.1. Employment Practice

The Group is committed to creating a pluralistic, harmonious, equal, fair, non-discriminatory and harassment-free workplace for employees. It strictly abides by the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Law on the Protection of Minors", the "Provisions on Prohibition of Child Labor" and other relevant labor and employment laws and regulations to protect the legitimate rights and interests of employees.

The Group complies with the principles of openness, equality and fairness to regulate recruitment and employment and strictly prohibit engagement in malpractices for personal gain and other acts. The applicant's knowledge structure, moral character, work experience, professional skills, comprehensive quality, physical quality and other aspects are the major considerations for our recruitment of employees, while the applicant's gender, age, race, family background and other aspects will not affect the employment opportunity. The Group will check the identity of applicants to ensure that all information provided by employees during the employment process is accurate and true, and prevent child labor. During the Reporting Period, the Group did not violate any relevant laws and regulations on remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, prevention of child labor or forced labor, nor did it find any cases of child labor or forced labor in the Group.

4.2. Welfare and Benefits

The welfare and benefits of employees are an important factor to attract and retain talents. The remuneration system of the Group is based on strategic orientation, market orientation and performance orientation and coordinates with a comprehensive performance appraisal mechanism to strictly implement legal requirement and give due consideration to internal and external fairness to improve the market competitiveness of the Group. The salary of employees includes post salary and performance bonus. We select outstanding employees of the year, adjust employees' salaries, and issue annual performance bonuses to employees based on their comprehensive performance, such as job performance, work attitude and work capability in performing their duties.

In terms of welfare policies, the Group strictly abides by the relevant laws and regulations of China's national and regional governments and has formulated the "Welfare Management Measures" (《福利管理辦法》) based on the principles of legality, reasonableness and equality to address the needs of employees. According to China's national policies and regulations, we participate in the employee retirement welfare plan and the housing accumulation fund plan coordinated or organised by government departments. We pay pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing accumulation fund for eligible employees in a unified way. We also purchase supplementary medical insurance for employees to reduce their financial burden caused by illness. In addition, we will issue special benefits such as cooling and heating fees, birthday coupons, book coupons, movie coupons, and financial subsidies to employees as appropriate. Apart from legal holidays, we also provide sick leave, personal leave, marriage leave, funeral leave, maternity leave, annual leave and other welfare leave.

4.3. Health and Safety

The Group is concerned about the physical and mental health of its employees and is committed to providing them with a healthy and safe working environment. We strictly abide by relevant laws and regulations on occupational safety and health, including the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", the "Law of the People's Republic of China on Work Safety", the "Regulations on Supervision and Administration of Occupational Health in the Workplace", and the "Regulations on Work Injury Insurance". The Group provides employees with a health check-up every year to ensure that their health meets the needs of daily work. We also provide employees with labor protection articles on a regular basis to protect employees from occupational hazards. In addition, the Group organises and encourages employees to participate in employee activities from time to time, such as table tennis competitions, to provide employees with opportunities to relax and balance work and life. During the Reporting Period, we did not violate any relevant laws and regulations on providing a safe working environment and protecting employees from occupational hazards, nor did we lose working days due to work-related injuries or have any serious work-related death accidents.

4.4. Training and Development

The Group values the comprehensive quality of its employees, strives to improve their work skills and professional development capability, and promotes the standardisation of education and training for employees. According to the formulated "Staff Training Management System" (《員工培訓管理制度》), we implemented the "2019 Staff Education and Training Plan" (《2019年度員工教育培訓計劃》) on the basis of considering the skills training requirements of each post and the career planning of employees. In line with the needs of business development, the Group carried out staff education and training activities in 2019 through internal training, external training and continuing education.

Methods of training	
External training	According to the needs of operation and management, we select employees to participate in all kinds of trainings, study tours, etc. organised by the Company and related departments (units) at higher levels or external training institutions
Internal training	Primarily including employee political and ideological education, pre-service education for new staff, on-the-job promotion of employee professional skills, and special topic sharing for external training, etc.
Continuing education	Upon approval, employees will take part in academic education for the purpose of improving their professional skills, professional title examination or evaluation organised by the state, professional qualification examination and continuing education for professional and technical positions according to their own performance needs and career planning

During the Reporting Period, the Group organised a number of targeted basic and professional trainings covering different areas, including laws and regulations, corporate governance and director responsibilities, safety knowledge education, strategic planning management and investment and financing, accounting professional skills, risk management, inside information disclosure and management and document writing, etc.. All types of training target employees at all levels, from front-line staff to senior management personnel, in order to cultivate talents in job skills, professional technology and management. During the year, all employees of the Group received different levels of training.

Fire Safety, Travel Safety, Anti-riot and Counter-terrorism Knowledge Training

5. ENVIRONMENTAL PROTECTION

The Group actively practices the concept of environmental conservation in its daily business operations to avoid generating pollution or damaging the ecological environment. We take "prevention first, combining prevention with control" as our guiding principle, and strictly abide by the environmental protection laws such as the "Environmental Protection Law of the People's Republic of China" and the "Soil and Water Conservation Law of the People's Republic of China" and carry out relevant work according to the requirements of the "Chengdu Transportation Environmental Pollution Prevention and Green Transportation Development 2019 Work Task Division Plan" (《成都市交通運輸環境污染防治及綠色交通發展2019年度工作任務分工方案》). During the Reporting Period, the Group did not violate any laws related to environmental protection or cause major accidents affecting the environment and natural resources, nor did it receive any penalty or litigation notice on environmental issues.

5.1. Greenhouse Gas Emission Management

In response to climate change, China has issued the "National Plan for Climate Change (2014-2020)", the "National Strategy for Adaptation to Climate Change" and the "2019 Annual Report on China's Policies and Actions to Address Climate Change". China has also recognised the urgency of promoting the energy revolution in the "13th Five-Year Plan Outline for National Economic and Social Development of the People's Republic of China (2016-2020)", and has defined the goals and relevant strategies of the energy revolution in the "Energy Production and Consumption Revolution Strategy (2016-2030)". The Group actively manages greenhouse gas emissions in line with China's strategy to address climate change. With reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we disclosed and compared the situation of greenhouse gas emissions and energy consumption in the report, striving to reduce the carbon footprint in operation and advocating a low-carbon corporate culture.

We conducted greenhouse gas emission inventory for the Group in accordance with the "Greenhouse Gas Audit Protocol" developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO14064-1 developed by the International Organisation for Standardisation. In order to deploy strategies for energy conservation, emission reduction and climate change more effectively, and set relevant targets in the next few years, we updated the method of greenhouse gas emission calculation and also measured greenhouse gas emissions of more categories during the year. Taking the updated greenhouse gas emission data for 2018 as the baseline data, we compared the greenhouse gas emission data to reflect the Group's carbon emission performance during operation.

The Group's daily operations and resource utilisation are concentrated in offices and expressway toll stations, while Chengdu Airport Expressway involves resource utilisation due to the installation of street lamps and flower planting alongside. Therefore, the greenhouse gas emission inventory during the year covers offices and expressway toll stations of the Group, as well as the entire line of Chengdu Airport Expressway. The greenhouse gas emissions in 2018 and during the Reporting Period are as follows:

Greenhouse gas emissions and removals		Unit	2018^	2019
Scope 1	Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent (tCO_2e)	950.11	1,018.51
Scope 1	Direct greenhouse gas removals	(tCO_2e)	263.35	851.48
Scope 2	Indirect greenhouse gas emissions	(tCO_2e)	3,859.15	3,967.57
Scope 3	Other indirect greenhouse gas emissions	(tCO_2e)	2,507.53*	1,095.93
Total greenhouse gas emissions		(tCO_2e)	7,053.44+	5,230.53+

Intensity of greenhouse gas emissions	Unit	2018^	2019
Per square metre (scope 1, 2 and 3)	tCO_2e/m^2	0.01	0.01

Scope 1: Direct greenhouse gas emissions and removals from sources owned and controlled by the Group.

Scope 2: Greenhouse gas emissions indirectly caused by power generation, heating and cooling, or steam purchased by the Group.

Scope 3: Include greenhouse gas emissions indirectly generated from sources not owned or directly controlled by the Group but related to the Group's business activities.

^ Updated greenhouse gas emission data for 2018 (1 January 2018 to 31 December 2018)

* The greenhouse gas emission data in scope 3 disclosed in the 2018 report only include the greenhouse gas emissions of paper used by the Group in its business operations; the updated data in scope 3 included more categories of greenhouse gas emissions, including the Group's water consumption during business operations, air travel emissions of employees on business trips, waste landfill, sewage treatment and paper use.

+ There may be a slight discrepancy between the sum of individual items and the total as shown in the tables owing to rounding.

According to the results of the greenhouse gas emission inventory, the Group's greenhouse gas emissions can be divided into direct emissions (scope 1) and indirect emissions (scope 2 and scope 3). The greenhouse gas emissions in each scope come from the fuel consumption of the Group's fixed equipment, the fuel consumption of its own vehicles, the use of refrigerant of air conditioning system (scope 1), electricity consumption during business operation (scope 2) and water consumption, flight emissions of employees on business trips, waste landfill, wastewater treatment and paper use (scope 3), etc. During the Reporting Period, we planted 37,021 trees, which removed 851.48 metric tons of carbon dioxide equivalent. The total amount of greenhouse gas emissions from the Group's offices and expressway toll stations, as well as the entire Chengdu Airport Expressway, was 5,230.53 metric tons of carbon dioxide equivalent, while the intensity of greenhouse gas emissions was 0.01 metric tons of carbon dioxide equivalent per square metre, remaining flat with those of the previous year. In the coming year, we will continue to monitor greenhouse gas emissions in various areas, and will begin to identify, quantify and report climate risks and opportunities, and propose environmental protection measures to reduce impacts or costs according to the nature of the business, so as to improve the overall environmental performance.

In addition to conducting greenhouse gas emission inventory, the Group promotes green transportation development and green travel through various channels. We encourage employees to reduce the use of elevators, choose public transport as much as possible, use video conferencing to replace unnecessary overseas travel, and choose direct flights for inevitable business travel.

5.2. Green Operation

The Group promotes green operation and implements environmental protection and pollution prevention measures in an all-round manner while carrying out road maintenance, operation and management. We have set up a standardised supervision system for the comprehensive management of the urban and rural environment and the environmental protection, and have reduced the negative impact on the environment as much as possible according to the formulated "Measures for the Management of Comprehensive Management of the Urban and Rural Environment" (《城鄉環境綜合治理管理辦法》).

5.2.1. Energy Management

The Group actively conducts energy management and monitors the electricity consumption during business operations from time to time. We remind employees to turn off unnecessary electronic equipment and make the best use of sunlight. Our office is divided into different lighting areas, with independent lighting systems to facilitate flexible use of lighting equipment by employees. The Group also regularly cleans lighting fixtures and measures the brightness of different locations in offices to reduce the number of lamps beyond the required brightness. In addition, we adopt a centrally monitored air conditioning system and advocate that employees use the air conditioning system rationally. Without affecting the corporate image, the Group allows employees to wear light clothing to work to reduce the demand for air conditioning systems. During the year, the total electricity consumption of the Group's offices and expressway toll stations and the entire Chengdu Airport Expressway during operation was 7,547.22 MWh, while the electricity consumption intensity was 0.02 MWh per square metre, which was similar to the data of the previous year[+].

The Group also monitors and manages the fuel consumption of fixed equipment and its motor vehicles. During the Reporting Period, 24.50 MWh of diesel, 721.39 MWh of natural gas and 97.29 MWh of liquefied natural gas were consumed by the fixed equipment at the Group's offices and expressway toll stations. The Group's motor vehicles consumed 251.77 MWh of petrol and 2,251.04 MWh of diesel. With regard to the fuel consumption of the Group's motor vehicles, the Group has drawn up the "Implementation Plan for the Reform of the Official Vehicle System" (《公務用車制度改革實施方案》) with reference to the "Implementation Opinions on the Reform of the Official Vehicle System of Chengdu Municipal Enterprises" (《成都市市屬企業公務用車制度改革實施意見》), which strictly regulates the purchase, lease, operation management and disposal of official vehicles. As a result, the consumption of petrol by the Group's motor vehicles decreased significantly by more than 70% compared with the previous year, which shows the effectiveness of the reform of the Group's official vehicle system.

\+ The total electricity consumption of the Group's offices and expressway toll stations and the entire Chengdu Airport Expressway in 2018 was adjusted to 7,340.98 MWh after auditing.

5.2.2. Water Resources Management

The Group encourages rational use of water resources. When conditions permit, we install and use induction faucets. We also put up signs in toilets to remind employees to save water. In order to reduce waste caused by leakage, the Group regularly manages the maintenance of water pipes and timely notifies the building property management unit to arrange maintenance.

During the Reporting Period, the total amount of water consumed by the Group's offices, expressway toll stations and the entire Chengdu Airport Expressway during operation was 57,940.04 cubic metres, while the intensity of water consumption was 0.12 cubic metres per square metre, which was similar to the data of the previous year. The Group will continue to monitor the water consumption in the course of business operations and strive to cultivate the habit of employees to cherish water.

5.2.3. Use of Resources

The Group leverages innovative technology, encourages employees to use electronic communication technology to transmit information as much as possible, and replaces traditional paper-based office administrative systems with electronic office systems to realise green paperless office. We encourage employees to reuse office stationery such as envelopes and binders, and minimise the use of disposable or non-recyclable products. We also preset the printer to print on both sides in an ink-saving mode, and remind employees from time to time to use and reuse paper on both sides as much as possible, and collect paper that has been used on one side for recycling. For informal document printing, we suggest using thinner fonts and smaller line spacing to achieve the effect of saving paper. From time to time, the Group evaluates the consumption of various materials and counts the inventory to avoid excessive purchases. During the Reporting Period, the total amount of paper used in the Group's offices and expressway toll stations was 5,963.96 kilograms, while the intensity of paper use was 3.83 kilograms per employee, which was similar to the data of the previous year. In the coming year, we will continue to monitor the consumption of paper and other materials to slow down the depletion of natural resources.

5.2.4. Noise Management

As an operator and administrator of expressways, the Group actively communicates with the community residents along the expressways to alleviate the noise pollution of the expressways. We will strengthen the maintenance of the roads along the expressways to reduce sudden noise caused by potholes in the roads. We will also step up the investigation and management of vehicles and prohibit speeding and overloading of vehicles. The Group has entrusted the Sichuan Provincial Department of Transportation Highway Planning, Investigation and Design Research Institute to complete the design of sound barriers in accordance with relevant technical specifications and implementation standards, such as the "Highway Environmental Protection Design Plan", "Code for Acoustic Design and Measurement of Sound Barriers" and "Unified Standard for Reliability Design of Engineering Structures". According to the dynamic traffic situation, we have pre-determined the noise pollution sections, planted tall trees in green areas, set up sound barriers on both sides of expressways in advance and installed sound insulation windows in residential buildings all with the aim to strengthen the traffic noise management of expressways.

5.2.5. Waste Management

The Group strictly abides by the "Environmental Protection Law of the People's Republic of China on Solid Waste Pollution" and strengthens pollution prevention and control. We entered into a kitchen waste disposal agreement with a professional purchasing and storage company to ensure proper removal, recycling and disposal of kitchen waste. During the Reporting Period, the total amount of non-hazardous waste generated by the Group's offices and expressway toll stations was 638,800.00 kilograms, while the intensity of non-hazardous waste generated was 410.28 kilograms per employee. As the Group did not carry out any special projects this year, the total amount of non-hazardous waste generated was significantly reduced by 60% compared with the previous year.

For hazardous waste management, the Group uses the after-sales technical support service of multi-functional peripheral manufacturers and join hands with agents to collect waste ink cartridges, waste carbon powder cartridges and other electronic consumables for recycling. During the Reporting Period, hazardous waste generated by the Group's offices and expressway toll stations included 2 computers, 448 used ink cartridges/toner cartridges, 255 used batteries and 4 sets of photosensitive drums. The Group will continuously monitor the production of non-hazardous and hazardous wastes to reduce the negative impact on the environment.

6. COMMUNITY WELFARE

While promoting business development, the Group is actively fulfilling its social responsibility to build a sustainable community with parties from all walks of life. During the Reporting Period, the Group invested approximately RMB5,000 in public welfare and promoted more than 150 people to participate in charitable activities.

Based on the principle of acting within our capabilities, the Group has made good use of the existing expressway operating platform and actively responded to the initiative of Sichuan Province of China to revitalise the economy in remote areas and set up a poverty alleviation counter in Chongzhou Service Area of Chengwenqiong Expressway to help solve the problem of long-term sluggish sales of agricultural products in economically difficult areas in Sichuan Province.

"Advocating Elderly Caring to Celebrate the 70th Anniversary of PRC" Theme Activity

The Group has been paying close attention to the living needs of vulnerable groups by organising elderly caring and poverty alleviation activities to contribute to social harmony. Before China's National Day, the Party Branch of Chengguan subsidiary of the Company and the Party Branch of Chengdu Station held the "Advocating Elderly Caring to Celebrate the 70th Anniversary of PRC" theme activity in the You'ai Centre nursing home. We presented festival greetings and blessings to the elderly and spread the spirit of filial piety through performances and celebrations.

"Run for Love" Theme Public Welfare Activity

On 21 April 2019, the Party Branch of Chengdu management station of Chengguan Expressway, together with the Xiniu community of Pidu district, launched the "Run for Love" theme public welfare activity and facilitated approximately 30 party members, youth league members and employee representatives from Chengdu management stations to participate. Through a combination of jogging and picking up small garbage competitions and handicraft bazaars, we collected donations as charity funds for Liangshan children and donated a "charity multimedia room". In addition, on the eve of Thanksgiving Day, members of the Chengdu Expressway Station Party Branch of Chengguan Expressway led representatives of party members and employees to the Tuanjie School in Chengdu's Pidu District to offer condolences, festive greetings and positive attitudes to families of disabled children they have long supported.

APPENDIX I: SUSTAINABILITY DATA SUMMARY

The following includes the sustainability data summary in the subject area of environment of the offices and toll stations of the Group for the year:

Environmental	Unit	2018	2019
Emissions#			
Nitrogen oxides	kg	–	3,378.43
Sulfur oxides	kg	–	4.89
Particulate matter	kg	–	301.57
Greenhouse gas (GHG) emissions and removals+			
Direct GHG emissions (Scope 1)	tCO_2e	950.11^	1,018.51
Direct GHG removals (Scope 1)	tCO_2e	263.35^	851.48
Indirect GHG emissions (Scope 2)	tCO_2e	3,859.15^	3,967.57
Other indirect GHG emissions (Scope 3)	tCO_2e	2,507.53^	1,095.93
Total GHG emissions (Scope 1, 2 and 3)	tCO_2e	7,053.45^	5,230.52
Intensity of GHG emissions (per square metre)	tCO_2e/m^2	0.01^	0.01
Energy consumption			
Total energy consumption	MWh	10,962.80	10,893.19
Energy consumption intensity (per square metre)	MWh/m^2	0.02	0.02
Consumption of purchased electricity+	MWh	7,340.98^	7,547.22
Intensity of purchased electricity consumption (per square metre)+	MWh/m^2	0.01^	0.02
Consumption of natural gas	MWh	647.15	721.39
Intensity of natural gas consumption (per square metre)	kWh/m^2	1.31	1.46
Consumption of liquefied natural gas	MWh	98.30	97.29
Intensity of liquefied natural gas consumption (per square metre)	kWh/m^2	0.20	0.20
Consumption of petrol	MWh	862.24	251.77
Intensity of petrol consumption (per square metre)	kWh/m^2	1.75	0.51
Consumption of diesel	MWh	2,014.13	2,275.54
Intensity of diesel consumption (per square metre)	kWh/m^2	4.08	4.60
Water consumption+			
Total water consumption	m^3	53,564.47	57,940.04
Water consumption per square metre	m^3/m^2	0.11	0.12
Paper consumption			
Total paper consumption	kg	6,274.43	5,963.96
Paper consumption per capita	kg/employee	3.84	3.83
Waste generated			
Total non-hazardous waste	kg	1,583,925.00	638,800.00
Non-hazardous waste per capita	kg/employee	969.35	410.28
Hazardous waste (batteries)	piece	114	255
Hazardous waste (computers)	set	10	2
Hazardous waste (ink cartridges and toner cartridges)	piece	463	448
Hazardous waste (photosensitive drums)	set	5	4

This item was not collected in 2018

^ Updated data for 2018

+ Including data of the entire Chengdu Airport Expressway additionally

The following is the Group's sustainability data summary in the subject area of society for the year^:

Social		2018	2019
Total employees	number	1,634	1,557
Number of employees by gender			
Female	number	1,052	993
Male	number	582	564
Number of employees by category			
Frontline employees	number	1,456	1,377
Junior employees	number	134	133
Mid-level management	number	30	32
Senior management	number	14	15
Number of employees by age group			
Under 30	number	650	519
Between 30 to 50	number	902	945
Above 50	number	82	93
Number of employees by region			
Sichuan Province, China	number	1,634	1,557
Turnover rate of employee*		**6.36%**	**6.49%**
Turnover rate of employee by gender*			
Female		6.46%	7.45%
Male		6.19%	4.79%
Turnover rate of employee by age group*			
Under 30		11.54%	12.14%
Between 30 to 50		2.00%	2.65%
Above 50		13.41%	13.98%
Turnover rate of employee by geographical region*			
Sichuan Province, China		6.36%	6.49%
Percentage of employees trained		**84.09%**	**100%**
Average training hours by gender per employee			
Female	hour	86.00	84.00
Male	hour	82.00	88.00
Average training hours by category per employee			
Frontline employees	hour	84.00	86.00
Junior employees	hour	65.00	40.00
Mid-level management personnel	hour	65.00	59.00
Senior management personnel	hour	64.00	36.00

* Turnover rate is arrived at by dividing the number of employees lost by the number of employees at the end of the year

^ Not including data of Chengming Expressway Company

APPENDIX II: HKEX ESG REPORTING GUIDE CONTENT INDEX

Indicator		Chapter
A. Environmental		
A1：	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection – Greenhouse Gas Emission Management, Green Operation
A1.1	The types of emissions and respective emissions data.	Sustainability Data Summary
A1.2	Total GHG emissions and intensity.	Environmental Protection – Greenhouse Gas Emission Management, Sustainability Data Summary
A1.3	Total hazardous waste produced and intensity.	Environmental Protection – Green Operation, Sustainability Data Summary
A1.4	Total non-hazardous waste produced and intensity.	Environmental Protection – Green Operation, Sustainability Data Summary
A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Protection – Greenhouse Gas Emission Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Protection – Green Operation

Indicator		Chapter
A2:	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources.	Environmental Protection – Green Operation
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental Protection – Green Operation, Sustainability Data Summary
A2.2	Water consumption in total and intensity.	Environmental Protection – Green Operation, Sustainability Data Summary
A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Protection – Green Operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Protection – Green Operation
A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable as the Group's business does not involve any packaging materials
A3:	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection – Greenhouse Gas Emission Management, Green Operation
A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection – Greenhouse Gas Emission Management, Green Operation

Indicator		Chapter
B. Social		
B1:	**Employment**	
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Workforce – Employment Practice, Welfare and Benefits
B1.1	Total employees by gender, category, age group and region.	Sustainability Data Summary
B1.2	Turnover rate by gender, age group and region.	Sustainability Data Summary
B2:	**Health and Safety**	
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Workforce – Health and Safety
B2.1	Number and percentage of fatalities due to work.	Workforce – Health and Safety
B2.2	Work days lost due to work injury.	Workforce – Health and Safety
B2.3	Description of the occupational health and safety measures adopted, as well as relevant implementation and monitoring methods.	Workforce – Health and Safety
B3:	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Workforce – Training and Development
B3.1	Percentage of employees trained by gender and category.	Sustainability Data Summary
B3.2	Average training hours per employee by gender and category.	Sustainability Data Summary
B4:	**Labour Standards**	
General Disclosure	Disclosure Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Workforce – Employment Practice
B4.1	Description of the measures to review recruitment practices to avoid child and forced labour.	Workforce – Employment Practice
B4.2	Description of the steps taken to eliminate violations once identified.	Workforce – Employment Practice

Indicator		Chapter
B5:	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Compliance Operation – Supply Chain Management
B5.1	Number of suppliers by region.	Compliance Operation – Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Compliance Operation – Supply Chain Management
B6:	**Product Responsibility**	
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Compliance Operation – Road Safety, Customer Experience
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable as the Group's business does not involve any products sold or shipped
B6.2	Number of products and service related complaints received and how they are dealt with.	Compliance Operation – Customer Experience
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Compliance Operation – Customer Experience
B6.4	Description of quality assurance process and recall procedures.	Compliance Operation – Road Safety
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Compliance Operation – Customer Experience
B7:	**Anti-corruption**	
General Disclosure	Disclosure Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliance Operation – An Incorruptible Enterprise
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Compliance Operation – An Incorruptible Enterprise
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Compliance Operation – An Incorruptible Enterprise

Indicator		Chapter
B8:	**Community Investment**	
General Disclosure	Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Welfare
B8.1	Focus areas of contribution.	Community Welfare
B8.2	Resources contributed to the focus area.	Community Welfare

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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

To the shareholders of Chengdu Expressway Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Chengdu Expressway Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 192, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). 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 Hong Kong Institute of Certified Public Accountants' ("HKICPA") *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
Business combination under common control	
During the year, the Group completed the acquisition of 51% equity interests in Sichuan Chengming Expressway Co., Ltd. ("Chengming Expressway Company") as detailed in Notes 2.1 and 28 to the financial statements. This has been accounted for in the consolidated financial statements as a business combination under common control using merger accounting as the Group and Chengming Expressway Company are under the common control of the controlling shareholder of the Company. We considered the accounting treatment of the above acquisition to be a key audit matter because of its financial significance to the consolidated financial statements and the judgement required to determine whether the acquisition fulfilled the requirements of a business combination under common control. This acquisition also required management to determine the fair value of the identifiable net assets acquired at the date when Chengming Expressway Company first came under the control of the controlling shareholder in particular, the valuation of the service concession arrangement was based on amongst others, future cash flow estimates, the estimated future traffic volume and toll rate, and the discount rate, which can be inherently judgemental and subjective. Management had engaged an independent valuation expert to assist them in the valuation of the fair value of the assets and liabilities. The accounting policies and disclosures about the accounting for the major acquisition are included in Note 2.1, Note 2.5 and Note 28 to the financial statements.	Our audit procedures included the following: • We read the related share purchase agreements and other related documents to understand the nature of the transaction and assessed the accounting implication of the acquisition to the consolidated financial statements; • We assessed whether the acquisition fulfilled the requirements of a business combination under common control for applying merger accounting; • We tested balances of the assets and liabilities as at the date when Chengming Expressway Company first came under the control of Chengdu Expressway Construction under merger accounting for a business combination; • We assessed the competence and relevant experience of the expert engaged by management; • We involved our internal valuation specialists to assist us in reviewing the valuation methodologies used by management and the external expert in the fair valuation of the acquired assets and liabilities; • We evaluated the valuation assumptions such as the discount, traffic volume, growth rate by comparing these assumptions to source data and market data; and • We assessed the adequacy of the related disclosures in the financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Amortisation of service concession arrangements	
As stated in Note 2.5, the amortisation of service concession arrangements is provided on a unit-of-usage basis, 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 estimates, including the expected gross domestic product (the "GDP") growth rate and the impact of other road networks within the same area. Management initially engaged independent professional traffic consultants to perform estimation of the projected total traffic volume throughout the concession periods of the respective service concession arrangements. Subsequently, the Group regularly reviewed the projected total traffic volume throughout the concession periods of the respective service concession arrangements with the actual traffic volume. If the projection was considered inappropriate, independent professional traffic studies would be performed. Appropriate adjustment would be made in case of a material change in the projected total traffic volume. The accounting policies and disclosures about the assessment for amortisation of costs of service concession arrangements are included in Note 2.5, Note 3 and Note 16 to the financial statements.	Our audit procedures included the following: • We interviewed the Group's senior management and understood their process associated with the review of the projected traffic volume against actual traffic volume; • For new independent professional traffic studies issued during the year, we assessed the competence, capabilities and objectivity of the external experts involved in the estimation process; • We evaluated the estimated projected total traffic volume of the Group's expressways and assessed whether these estimates showed any evidence of management bias; • We focused our analysis on management's key assumptions used in the estimates of the projected total traffic volume such as the GDP growth rate, the impact of other road networks within the same area, the historical accuracy of management's estimates and assessed the consistency of the assumptions across expressways; • We considered whether the amortisation methodology adopted by the Group best represented the expected future economic benefits of the Group; and • We assessed the adequacy of the related disclosures in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
27 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	5	**1,255,926**	1,830,227
Cost of sales		**(553,964)**	(1,236,013)
Gross profit		**701,962**	594,214
Other income and gains	5	**86,394**	33,743
Administrative expenses		**(68,647)**	(53,587)
Other expenses	6	**(12,481)**	(1,518)
Finance costs	7	**(134,866)**	(71,701)
Share of profit/(loss) of an associate		**(352)**	21,916
PROFIT BEFORE TAX	8	**572,010**	523,067
Income tax expense	10	**(100,908)**	(77,025)
PROFIT FOR THE YEAR		**471,102**	446,042
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**471,102**	446,042
Attributable to:			
Owners of the Company		**438,791**	415,488
Non-controlling interests		**32,311**	30,554
		471,102	446,042
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	12	**RMB0.268**	RMB0.346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**359,967**	256,348
Right-of-use assets	14	**70,702**	–
Goodwill	15	**34,026**	–
Service concession arrangements	16	**5,925,770**	3,334,730
Software		**515**	333
Investment in an associate	17	**106,064**	126,141
Financial assets at fair value through profit or loss		**500**	500
Long-term receivable	20	**–**	230,247
Deferred tax assets	18	**9,068**	336
Total non-current assets		**6,506,612**	3,948,635
CURRENT ASSETS			
Trade receivables	19	**51,059**	32,664
Prepayments, other receivables and other assets	20	**270,830**	254,262
Cash and cash equivalents	21	**1,506,513**	958,615
Total current assets		**1,828,402**	1,245,541
CURRENT LIABILITIES			
Trade payables	22	**952,662**	1,006,227
Other payables and accruals	23	**156,503**	100,471
Interest-bearing bank and other borrowings	24	**257,157**	225,000
Lease liabilities	14	**3,039**	–
Tax payable		**45,773**	12,032
Total current liabilities		**1,415,134**	1,343,730
NET CURRENT ASSETS/(LIABILITIES)		**413,268**	(98,189)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,919,880**	3,850,446
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**2,757,560**	1,328,500
Deferred income	23	**120,224**	54,072
Lease liabilities	14	**32,055**	–
Deferred tax liabilities	18	**194,035**	3,496
Total non-current liabilities		**3,103,874**	1,386,068
Net assets		**3,816,006**	2,464,378

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*25*	**1,656,102**	1,200,000
Reserves	*26*	**1,643,892**	1,129,411
		3,299,994	2,329,411
Non-controlling interests		**516,012**	134,967
Total equity		**3,816,006**	2,464,378

Xiao Jun	**Luo Dan**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the Company									
	Issued capital	Share premium	Merger deficit	Statutory reserve	Difference arising from changes in non-controlling interests	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25)	*(note 26)*	*(note 26)*	*(note 26)*						
At 1 January 2018	1,200,000	101,047	–	61,612	314,833	121,818	336,604	2,135,914	131,194	2,267,108
Total comprehensive income for the year	–	–	–	–	–	–	415,488	415,488	30,554	446,042
Dividends paid by subsidiaries to their non-controlling shareholders	–	–	–	–	–	–	–	–	(26,781)	(26,781)
Transfer from retained earnings	–	–	–	39,092	–	–	(39,092)	–	–	–
Dividends declared by the Company	–	–	–	–	–	–	(221,991)	(221,991)	–	(221,991)
At 31 December 2018 and 1 January 2019	**1,200,000**	**101,047***	**–***	**100,704***	**314,833***	**121,818***	**491,009***	**2,329,411**	**134,967**	**2,464,378**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**438,791**	**438,791**	**32,311**	**471,102**
Dividends paid by subsidiaries to their non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(31,498)**	**(31,498)**
Issue of new shares for the Initial Public Offering ("IPO")	**400,000**	**357,821**	**–**	**–**	**–**	**–**	**–**	**757,821**	**–**	**757,821**
Exercise of the over-allotment option	**56,102**	**50,480**	**–**	**–**	**–**	**–**	**–**	**106,582**	**–**	**106,582**
Share issue expenses	**–**	**(61,952)**	**–**	**–**	**–**	**–**	**–**	**(61,952)**	**–**	**(61,952)**
Effect of business combination under common control *(note 28)*	**–**	**–**	**(55,366)**	**–**	**–**	**–**	**–**	**(55,366)**	**380,232**	**324,866**
Transfer from retained earnings	**–**	**–**	**–**	**35,691**	**–**	**–**	**(35,691)**	**–**	**–**	**–**
Dividends declared by the Company	**–**	**–**	**–**	**–**	**–**	**–**	**(215,293)**	**(215,293)**	**–**	**(215,293)**
At 31 December 2019	**1,656,102**	**447,396***	**(55,366)***	**136,395***	**314,833***	**121,818***	**678,816***	**3,299,994**	**516,012**	**3,816,006**

* These reserve accounts comprise the consolidated reserves of RMB1,643,892,000 (2018: RMB1,129,411,000) 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		**572,010**	523,067
Adjustments for:			
Depreciation of property, plant and equipment	*8*	**38,697**	18,266
Depreciation of right-of-use assets	*8*	**5,231**	–
Amortisation of service concession arrangements	*8*	**237,679**	145,463
Amortisation of software	*8*	**220**	410
Impairment loss other receivable	*8*	**371**	–
Loss on disposal and write-off of items of property, plant and equipment	*8*	**1,087**	30
Share of loss/(profit) of an associate		**352**	(21,916)
Interest income from a long-term receivable	*5*	**(11,440)**	(5,548)
Finance costs	*7*	**134,866**	71,701
Bank interest income	*5*	**(36,842)**	(10,820)
		942,231	720,653
Additions to service concession arrangements		**–**	(842,992)
Receipts of government grants		**200,000**	200,000
Increase in trade receivables		**(16,126)**	(268)
Increase in prepayments, other receivables and other assets		**(4,674)**	(40,277)
Increase/(decrease) in trade payables		**(63,060)**	256,541
Increase/(decrease) in other payables and accruals		**3,755**	(63,439)
Cash generated from operations		**1,062,126**	230,218
Interest received from banks		**28,191**	10,253
Income tax paid		**(74,607)**	(79,069)
Net cash flows from operating activities		**1,015,710**	161,402
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and software		**(88,416)**	(137,904)
Business combination under common control	*28*	**(373,312)**	–
Increase in time deposits with original maturity of over three months		**(307,557)**	(80,000)
Proceeds from disposal of items of property, plant and equipment		**1,974**	74
Dividend received from an associate		**19,725**	19,503
Net cash flows used in investing activities		**(747,586)**	(198,327)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		**110,000**	403,000
Repayment of bank loans		**(534,157)**	(205,000)
Repayment of other borrowings		**(110,000)**	(100,000)
Proceeds from issue of shares for the IPO		**757,821**	–
Proceeds from exercise of the over-allotment option		**106,582**	–
Dividends paid to owners of the Company		**(215,293)**	(221,991)
Dividends paid by subsidiaries to their non-controlling shareholders		**(31,498)**	(26,781)
Principal portion of lease payments		**(3,925)**	–
Interest portion of lease liabilities		**(1,826)**	–
Interest paid		**(105,487)**	(73,639)
Net cash flows used in financing activities		**(27,783)**	(224,411)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**240,341**	(261,336)
Cash and cash equivalents at beginning of year		**878,615**	1,139,951
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,118,956**	878,615
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	21	**1,506,513**	958,615
Time deposits with original maturity of over three months		**(387,557)**	(80,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,118,956**	878,615

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

Chengdu Expressway Co., Ltd. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 15 January 2019.

The registered office of the Company is located at 1 Kexin Road, High-Tech Zone, Chengdu, Sichuan, the PRC. The principal place of business of the Company in Hong Kong is located at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries ("Group") were involved in the management and operation of expressways in Mainland China.

In the opinion of the directors of the Company ("Directors"), the parent company of the Company is Chengdu Expressway Construction and Development Co., Ltd. ("Chengdu Expressway Construction"), a company established in Chengdu, Sichuan Province, the PRC. The ultimate controlling shareholder of the Company is Chengdu Communications Investment Group Co., Ltd. ("Chengdu Communications"), which is wholly owned by the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of establishment	Nominal value of issued ordinary capital	Percentage of equity attributable to the Company	Principal activities
Chengdu Chengpeng Expressway Company Limited (成都成彭高速公路有限責任公司) ("Chengpeng Expressway Company")	PRC 11 September 2002	RMB385 million	99.74%	Operation of Chengpeng Expressway
Chengdu Chengwenqiong Expressway Company Limited (成都成溫邛高速公路有限公司) ("Chengwenqiong Expressway Company")	PRC 16 October 2002	RMB554.49 million	100.00%	Operation of Chengwenqiong Expressway
Chengdu Airport Expressway Company Limited (成都機場高速公路有限責任公司) ("Chengdu Airport Expressway Company")	PRC 24 December 1997	RMB153.75 million	55.00%	Operation of Chengdu Airport Expressway
Chengming Expressway Company (四川成名高速公路有限公司)	PRC 15 November 2007	RMB100 million	51.00%	Operation of Qiongming Expressway

All the above subsidiaries are registered as domestic enterprises with limited liability under PRC law.

During the year, the Group acquired a 51% equity interest in Chengming Expressway Company from Chengdu Expressway Construction. Further details of this acquisition are included in notes 2.1 and 28 to the financial statements.

2.1 BASIS OF PRESENTATION

As disclosed in note 28 to the financial statements, a business combination under common control was effected during the current year, where the business acquired in the business combination and the Company are both controlled by Chengdu Expressway Construction, the parent company of the Company.

To consistently apply the Group's accounting policy for common control business combinations, the acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA as if the acquisition had occurred when the combining entity first came under the control of Chengdu Expressway Construction i.e., 7 May 2019. Accordingly, the assets and liabilities acquired in the common control business combination have been stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entity first came under the control of Chengdu Expressway Construction or the relevant transactions giving rise to the assets or liabilities arose. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the acquisition by the Group.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 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.

2.2 BASIS OF PREPARATION *(continued)*

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of IFRS 16 Leases, the adoption of the above new and revised standards has had no significant financial effect on the preparation of the Group's financial statements. The nature and impact of IFRS 16 are described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 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 recognises and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

New definition of a lease

Under IFRS 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 IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 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 IFRS 16

The Group has lease contracts for various items of office premises and land use rights. 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 IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and 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 (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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. The Group elected to present the lease liabilities separately in the consolidated statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid 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 IAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Impact on transition (continued)

Financial impact at 1 January 2019

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

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	**39,893**
Decrease in prepayments, other receivables and other assets	**(1,902)**
Increase in total assets	**37,991**
Liabilities	
Increase in lease liabilities	**37,991**

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	49,565
Weighted average incremental borrowing rate as at 1 January 2019	4.90%
Discounted operating lease commitments at 1 January 2019	37,991
Lease liabilities as at 1 January 2019	37,991

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 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 as 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 IFRS 9, IAS 39 and IFRS 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.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 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 IFRS 10 and IAS 28 was removed by the IASB in December 2015 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 IAS 1 and IAS 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, 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 associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in an associate *(continued)*

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

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

Merger accounting for business combinations under common control

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

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of the 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 paid to transfer a liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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.

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.

2.5 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 of 5% over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

	Useful lives
Buildings	15-40 years
Security equipment	5-15 years
Supervising equipment and others	5-15 years
Toll collection equipment	5-10 years
Motor vehicles	5-8 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 direct costs of construction and capitalised borrowing costs on related borrowed funds 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.

2.5 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.

During the construction phase of the arrangement, the operator's contract asset (representing its accumulating right to be paid for providing construction services) is presented as an intangible asset and will be amortised upon the commencement of operation of the service concession arrangement.

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.

The amortisation of service concession arrangements 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.

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.

Particulars of the expressways managed and operated by the Group as at 31 December 2019 are as follows:

	Origin/destination	Approximate length *(km)*	Concession periods
Chengguan Expressway	Chengdu Hi-Tech Zone/Dujiangyan	40.44	July 2000 – July 2030
Chengwenqiong Expressway	Qingyang District/Qionglai County	65.60	January 2005 – January 2035
Chengpeng Expressway	Xindu District/Pengzhou	21.32	November 2004 – October 2033
Chengdu Airport Expressway	Chengdu South Railway Station Viauct/Shuangliu Airport Terminal 1	11.98	July 1999 – December 2024
Qiongming Expressway	Qionglai County/Mingshan County	52.68	November 2010 – November 2038

Software

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

2.5 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:

Office premises	1 to 2 years
Leasehold land	8.5 to 39.5 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.

(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 terminating 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 expense in the period on which the event or condition that triggers the payment occurs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee (continued)

(b) Lease liabilities *(continued)*

In calculating the present value of lease payments, the Group uses the 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 future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor – operating leases

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. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains in 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 (applicable before 1 January 2019)

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.

2.5 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 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 IFRS 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.

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 profit or loss when the asset is derecognised, modified or impaired.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement (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 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 through profit or loss are also recognised as other income in 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 primary 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 the asset. 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.

2.5 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

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 payables, other payables and accruals, amounts due to related parties and interest-bearing bank and other borrowings.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities at amortised cost is as follows:

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

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

Derecognition of financial liabilities

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

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, and form an integral part of the Group's cash management.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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 and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 and an associate, 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.

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 on a systematic basis over the periods as deduction from costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation or amortisation charge.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 IFRS 15.

(a) Provision of road operation services

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

(b) Provision of the construction and upgrade services

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Other income

(a) 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;

(b) 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; and

(c) Rental income is recognised on a time proportion basis over the lease terms.

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 IFRS 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 attain 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.

Employee benefits

Defined contribution pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the relevant part of their payroll costs of these employees to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Supplementary defined contribution pension scheme

Under the supplementary defined contribution pension scheme, 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 services upon the adoption of the plan. The contributions under the supplementary defined contribution pension scheme are charged to profit or loss as incurred.

Housing fund

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

(a) Provision for expected losses on trade receivables

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

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 is disclosed in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(b) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. 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) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB34,026,000. Further details are given in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

(e) Amortisation of costs of service concession arrangements

The amortisation of costs of service concession arrangements is calculated under the unit-of-usage method, whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements. The projected total traffic volume over the respective concession periods could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume. Further details are included in note 16 to the financial statements.

(f) PRC corporate income tax ("CIT") and deferred tax assets

The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences are realised.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(g) Provision for maintenance and resurfacing obligations

Provisions for the maintenance and resurfacing of the toll roads are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to the obligation.

As all the expressways of the Group meet the obligation to maintain the toll road infrastructure to a specified level of serviceability under the service concessions, there was no provision for maintenance and resurfacing obligations at 31 December 2019 (2018: Nil).

4. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from the management and operation of expressways, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's Directors for purposes of resource arrangement and performance assessment. In addition, all the assets employed by the Group are located in Mainland China. Accordingly, no operating segment information is presented, other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

All of the Group's external revenue is derived from customers based in Mainland China, and all of the non-current assets of the Group are located in Mainland China. Accordingly, no segment information by geographical segment is presented.

Information about major customers

No service provided to a single customer contributed to 10% or more of the total revenue of the Group during the year.

During the year ended 31 December 2018, revenue of approximately RMB844,329,000, which accounted for more than 10% of the Group's revenue, was derived from providing construction services to the service concession grantors which are known to be under common control of the Sichuan Provincial People's Government.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Toll income		
– Chengguan Expressway	**307,940**	330,542
– Chengpeng Expressway	**238,312**	113,154
– Chengwenqiong Expressway	**433,933**	398,093
– Chengdu Airport Expressway	**142,570**	144,109
– Qiongming Expressway	**133,171**	–
Sub-total	**1,255,926**	985,898
Construction revenue in respect of service concession arrangements	**–**	844,329
	1,255,926	1,830,227

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
Type of revenue		
Toll income	**1,255,926**	985,898
Construction services	**–**	844,329
Total revenue from contracts with customers	**1,255,926**	1,830,227

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**1,255,926**	985,898
Over time	**–**	844,329
Total revenue from contracts with customers	**1,255,926**	1,830,227

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

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

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

Toll income

Toll income is recognised at the point in time when the relevant services have been provided and the Group received the payment or the right to receive payment has been established. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Construction revenue in respect of service concession arrangements

The performance obligation is satisfied over time as construction services are rendered when the Group's performance creates and enhances an asset that the customer controls as the construction and upgrade services are performed.

There were no unsatisfied or partially unsatisfied performance obligations as at 31 December 2019 and 2018.

An analysis of other income and gains is as follows:

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Interest income from a long-term receivable	**11,440**	5,548
Bank interest income	**36,842**	10,820
Compensation income for road damage and temporary road occupation	**17,223**	2,656
Rental income	**11,641**	9,371
Deferred income released to profit or loss	**4,240**	4,062
Gain on disposal of item of property, plant and equipment	**313**	–
Miscellaneous	**4,695**	1,286
Other income and gains	**86,394**	33,743
Total revenue, other income and gains	**1,342,320**	1,863,970

6. OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Loss on disposal and write-off of item of property, plant and equipment	**1,400**	30
Impairment loss on other receivables	**371**	–
Foreign exchange losses	**8,968**	–
Miscellaneous	**1,742**	1,488
	12,481	1,518

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest expenses on bank loans and other borrowings	**133,040**	73,038
Less: Interest capitalised	**–**	(1,337)
	133,040	71,701
Interest on lease liabilities	**1,826**	–
	134,866	71,701
Interest rate of borrowing costs capitalised	**–**	4.75%

8. PROFIT BEFORE TAX

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

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Cost of operating service		**553,964**	391,684
Construction costs in respect of service concession arrangements		**–**	844,329
Cost of sales		**553,964**	1,236,013
Employee benefit expense (including Directors' and supervisors' remuneration *(note 9)*):			
Wages, salaries and allowances, social security and benefits		**162,291**	135,930
Pension scheme contributions (Defined contribution fund)		**23,388**	23,294
Other staff benefits		**34,695**	29,324
		220,374	188,548
Depreciation in respect of:			
– property, plant and equipment	*13*	**38,697**	18,266
– right-of-use assets	*14*	**5,231**	–
Amortisation in respect of:			
– service concession arrangements	*16*	**237,679**	145,463
– software		**220**	410
Impairment loss on other receivable		**371**	–
Listing fees expensed off		**–**	1,891
Loss on disposal and write-off of items of property, plant and equipment		**1,087**	30
Auditor's remuneration		**2,594**	1,100
Minimum lease payments under operating leases of land and office		**–**	3,803
Foreign exchange losses		**8,968**	–
Bank interest income		**(36,842)**	(10,820)

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (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	**270**	480
Other emoluments:		
Salaries, allowances and benefits in kind	**2,994**	1,925
Pension scheme contributions	**246**	245
	3,510	2,650

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(a) Directors' and supervisors' remuneration *(continued)*

The names of the directors and supervisors and their remuneration during the year are as follows:

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2019				
Executive directors:				
Mr. Tang Fawei	–	548	36	584
Ms. Wang Xiao	–	501	36	537
Mr. Luo Dan	–	474	36	510
Mr. Zhang Dongmin	–	453	36	489
	–	1,976	144	2,120
Non-executive directors:				
Mr. Xiao Jun	–	–	–	–
Mr. Yang Bin	–	491	36	527
	–	491	36	527
Independent non-executive directors:				
Mr. Shu Wa Tung, Laurence	150	–	–	150
Mr. Ye Yong	60	–	–	60
Mr. Li Yuanfu	60	–	–	60
	270	–	–	270
Supervisors:				
Ms. Wu Haiyan	–	–	–	–
Mr. Pan Xin	–	–	–	–
Ms. Xu Jingxian	–	275	33	308
Mr. Zhang Jian	–	252	33	285
Ms. Jiang Yan	–	–	–	–
	–	527	66	593
	270	2,994	246	3,510

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(a) Directors' and supervisors' remuneration *(continued)*

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2018				
Executive directors:				
Mr. Tang Fawei	–	278	40	318
Ms. Wang Xiao	–	357	41	398
Mr. Luo Dan	–	359	39	398
Mr. Zhang Dongmin	–	245	33	278
	–	1,239	153	1,392
Non-executive directors:				
Mr. Xiao Jun	–	–	–	–
Mr. Yang Bin	–	219	31	250
	–	219	31	250
Independent non-executive directors:				
Mr. Shu Wa Tung, Laurence	300	–	–	300
Mr. Ye Yong	60	–	–	60
Mr. Li Yuanfu	120	–	–	120
	480	–	–	480
Supervisors:				
Ms. Wu Haiyan	–	–	–	–
Mr. Pan Xin	–	–	–	–
Ms. Xu Jingxian	–	194	27	221
Mr. Zhang Jian	–	273	34	307
Ms. Jiang Yan	–	–	–	–
	–	467	61	528
	480	1,925	245	2,650

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to any of the Directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

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9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the two years ended 31 December 2019 and 2018 is as follows:

	Number of employees	
	2019	2018
Directors	**2**	2
Supervisors	**–**	–
Non-director and non-supervisor	**3**	3
	5	5

Details of the directors' and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director, non-chief executive and non-supervisor, highest paid employees are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,298**	1,138
Pension scheme contributions	**178**	120
	2,476	1,258

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

10. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year.

Except for Chengpeng Expressway Company and Chengming Expressway Company as further described below, the Company and its subsidiaries and associate were entitled to a preferential tax rate of 15% during the year. 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 "Circular"), 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") approved by the State Council, and shall be implemented as of 1 October 2014 and Revised Catalogue of Encouraged Industries in the Western Region approved by the State Council, and shall be implemented as of 28 July 2017, the income from which accounts for more than 70% of the total income of such enterprises."

For entities within the scope of the transportation industry, i.e., the Company, Chengwenqiong Expressway Company and Chengdu Airport Expressway Company and Chengdu Chengbei Exit Expressway Co., Ltd. ("Chengbei Exit Expressway Company"), an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012, as they have not changed their business operations and their eligible revenue that fell within the scope accounted for more than 70% of their respective total revenue, income tax of these entities for the year continued to be calculated at a tax rate of 15%.

During the year, the directors considered that the eligible revenue derived by Chengpeng Expressway Company has not exceeded 70% of its total revenue due to the government grant received related to the expansion project of Chengpeng Expressway, and the provision for income tax expense of Chengpeng Expressway Company during the year was calculated at the CIT rate of 25%.

During the year, no provision for CIT has been made by Chengming Expressway Company as it did not generate any taxable income in Mainland China during the year.

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

	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China Charge for the year	**99,642**	70,739
Underprovision income tax in prior years	**8,706**	–
Deferred *(note 18)*	**(7,440)**	6,286
Total tax charge for the year	**100,908**	77,025

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate in Mainland China for companies within the Group to the tax expense at the effective tax rate is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**572,010**	523,067
Income tax charge at the statutory tax rate of 25%	**143,003**	130,767
Effect of preferential income tax rate of 15%	**(48,043)**	(49,112)
Expenses not deductible for tax	**49**	44
Adjustments is respect of current tax of previous years	**8,706**	–
Income not subject to tax	**(2,860)**	(1,387)
Loss/(profit) attributable to an associate	**53**	(3,287)
Tax charge at the Group's effective tax rate	**100,908**	77,025

The share of tax attributable to an associate amounted to RMB3,868,000 during the year ended 31 December 2018 is included in "Share of profit of an associate" in profit or loss.

11. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed final – RMB0.12 (2018: RMB0.13) per ordinary share	**198,732**	215,293

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

12. 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 of RMB438,791,000 (2018: RMB415,488,000), and the weighted average number of ordinary shares of 1,638,607,677 (2018: 1,200,000,000) 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Security equipment *RMB'000*	Supervising equipment and others *RMB'000*	Toll collection equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2019							
Cost:							
At 1 January 2019	**24,007**	**196,553**	**200,240**	**252,269**	**34,356**	**4,971**	**712,396**
Additions	**93**	**–**	**3,563**	**30,622**	**2,054**	**51,682**	**88,014**
Effect of a business combination under common control *(note 28)*	**–**	**54,208**	**455**	**599**	**2,115**	**–**	**57,377**
Disposals and write-off	**–**	**–**	**(37,576)**	**(9,321)**	**(4,952)**	**–**	**(51,849)**
Transfers	**–**	**278**	**26,176**	**30,047**	**–**	**(56,501)**	**–**
At 31 December 2019	**24,100**	**251,039**	**192,858**	**304,216**	**33,573**	**152**	**805,938**
Accumulated depreciation and impairment:							
At 31 December 2018 and 1 January 2019	**12,465**	**158,756**	**105,954**	**153,989**	**24,884**	**–**	**456,048**
Provided during the year	**810**	**9,887**	**10,186**	**14,879**	**2,935**	**–**	**38,697**
Disposals and write-off	**–**	**–**	**(36,993)**	**(8,305)**	**(3,476)**	**–**	**(48,774)**
At 31 December 2019	**13,275**	**168,643**	**79,147**	**160,563**	**24,343**	**–**	**445,971**
Net carrying amount:							
At 1 January 2019	**11,542**	**37,797**	**94,286**	**98,280**	**9,472**	**4,971**	**256,348**
At 31 December 2019	**10,825**	**82,396**	**113,711**	**143,653**	**9,230**	**152**	**359,967**
31 December 2018							
Cost:							
At 1 January 2018	23,688	165,523	123,445	220,865	34,174	7,772	575,467
Additions	–	31,030	68,715	22,055	460	15,543	137,803
Disposals and write-off	–	–	(389)	(207)	(278)	–	(874)
Transfers	319	–	8,469	9,556	–	(18,344)	–
At 31 December 2018	24,007	196,553	200,240	252,269	34,356	4,971	712,396
Accumulated depreciation and impairment:							
At 1 January 2018	11,490	157,691	103,382	143,345	22,644	–	438,552
Provided during the year	975	1,065	2,941	10,785	2,500	–	18,266
Disposals	–	–	(369)	(141)	(260)	–	(770)
At 31 December 2018	12,465	158,756	105,954	153,989	24,884	–	456,048
Net carrying amount:							
At 1 January 2018	12,198	7,832	20,063	77,520	11,530	7,772	136,915
At 31 December 2018	11,542	37,797	94,286	98,280	9,472	4,971	256,348

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and office premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38.9 to 39.5 years, and no ongoing payments will be made under the terms of these land leases. Leases of lands where no lump sum payments were made generally have lease terms between 8.5 and 20 years. Leases of offices generally have lease terms between 1 and 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Land *RMB'000*	Office premises *RMB'000*	Prepaid land lease payment *RMB'000*	Total *RMB'000*
As at 1 January 2019	**38,226**	**1,667**	**–**	**39,893**
Additions	**–**	**1,028**	**–**	**1,028**
Effect of a business combination under common control *(note 28)*	**–**	**–**	**35,012**	**35,012**
Depreciation charge	**(2,859)**	**(1,690)**	**(682)**	**(5,231)**
At 31 December 2019	**35,367**	**1,005**	**35,094**	**70,702**

As at 31 December 2019, there were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 *RMB'000*
As at 1 January 2019	**37,991**
New leases	**1,028**
Accretion of interest recognised during the year	**1,826**
Payments	**(5,751)**
As at 31 December 2019	**35,094**
Analysed into:	
Current portion	**3,039**
Non-current portion	**32,055**

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

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

	2019 *RMB'000*
Interest on lease liabilities	**1,826**
Depreciation charge of right-of-use assets	**5,231**
Total amount recognised in profit or loss	**7,057**

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(d) The total cash outflow for leases is disclosed note 29(b) to the financial statements.

The Group as a lessor

The Group leases certain of its office buildings and service zones along the expressways under operating lease arrangements, with leases negotiated for terms ranging from 1 to 20 years. In addition, the Group also receives certain leasing income in advance for occupying the Group's land and buildings along the expressways. Rental income recognised by the Group during the year was RMB11,641,000 (2018: RMB9,371,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**933**	966
After one year but within two years	**557**	758
After two years but within three years	**397**	397
After three years but within four years	**397**	397
After four years but within five years	**397**	397
After five years	**2,150**	2,547
	4,831	5,462

15. GOODWILL

	2019 RMB'000
Cost and net carrying amount at 1 January	–
Effect of a business combination under common control *(note 28)*	**34,026**
Cost and net carrying amount at 31 December	**34,026**

Impairment testing of goodwill

Goodwill acquired through a business combination is allocated to Chengming Expressway Company cash-generating unit ("Chengming CGU") for impairment testing.

The recoverable amounts of the Chengming CGU had been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projections was 9.53% and cash flows beyond the five-year period were extrapolated using a growth rate of 3.30%, which was same as the long-term average growth rate of the expressway sector.

Assumptions were used in the value in use calculation of the Chengming CGU for 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Toll rate – The estimated toll rate of each type of vehicles was approved by the Department of Transportation of Sichuan Province, Sichuan Provincial Development and Reform Commission.

Traffic volume – The estimated traffic volume forecast was issued by an independent traffic consultant.

Discount rate – The discount rate used is pre-tax and reflects specific risks relating to the Chengming CGU.

The values assigned to the key assumptions on the market development of the cash-generating unit and discount rate are consistent with external information sources.

In the opinion of the Company's directors, a decrease in revenue, caused by the decrease of the toll rate or the decrease of traffic volume, by 2% to 5% would cause the carrying amount of Chengming CGU to exceed its recoverable amount by approximately RMB21,296,000 to RMB105,573,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

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16. SERVICE CONCESSION ARRANGEMENTS

	2019 RMB'000	2018 RMB'000
Cost:		
At beginning of the year	**4,542,384**	4,522,754
Additions	**–**	842,992
Effect of a business combination under common control *(note 28)*	**2,828,719**	–
Fair value of a government grant related to an asset	**–**	(824,699)
Interest expenses capitalised	**–**	1,337
At end of the year	**7,371,103**	4,542,384
Accumulated amortisation:		
At beginning of the year	**1,207,654**	1,062,191
Charged for the year	**237,679**	145,463
At end of the year	**1,445,333**	1,207,654
Net carrying amount:		
At beginning of the year	**3,334,730**	3,460,563
At end of the year	**5,925,770**	3,334,730

The concession rights pertaining to certain expressways of the Group with net carrying amounts listed below were pledged to obtain interest-bearing secured bank loans and other borrowings granted to the Group (note 24(a)):

	2019 RMB'000	2018 RMB'000
Chengpeng Expressway	**1,337,828**	1,377,302
Chengwenqiong Expressway	**1,140,153**	1,206,341
Qiongming Expressway	**2,369,666**	–
	4,847,647	2,583,643

17. INVESTMENT IN AN ASSOCIATE

	2019	2018
	RMB'000	*RMB'000*
Share of net assets	**106,064**	126,141

The Group's investment in an associate represents a 40% equity interest in Chengbei Exit Expressway Company, which engages in the construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge in Chengdu, Sichuan Province of the PRC.

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

	2019	2018
	RMB'000	*RMB'000*
Current assets	**140,600**	147,938
Non-current assets	**177,200**	193,422
Current liabilities	**(43,084)**	(26,007)
Non-current liabilities	**(9,556)**	–
Net assets	**265,160**	315,353
Reconciliation to the Group's interest in the associate:		
Proportion of ownership	**40%**	40%
Share of net assets of the associate	**106,064**	126,141
Carrying amount of the investment	**106,064**	126,141

	2019	2018
	RMB'000	*RMB'000*
Revenue	**107,917**	116,571
Profit/(loss) and total comprehensive income/(loss) for the year	**(880)**	54,791
Dividend received	**(19,725)**	(19,503)

18. DEFERRED TAX

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

Deferred tax assets

	Provision for impairment of fixed assets	Accounting amortisation in excess of tax amortisation	Deferred income	Loss available for offsetting against future taxable profits	Lease liabilities	Accrued interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019							
At 31 December 2018	**314**	**–**	**14,219**	**–**	**–**	**–**	**14,533**
Effect of adoption of IFRS 16	**–**	**–**	**–**	**–**	**6,464**	**–**	**6,464**
At 1 January 2019 (restated)	**314**	**–**	**14,219**	**–**	**6,464**	**–**	**20,997**
Effect of a business combination under common control *(note 28)*	**–**	**–**	**15,934**	**39,060**	**–**	**–**	**54,994**
Deferred tax charged to profit or loss during the year *(note 10)*	**(314)**	**–**	**1,713**	**(7,389)**	**(473)**	**6,437**	**(26)**
Gross deferred tax assets at 31 December 2019	**–**	**–**	**31,866**	**31,671**	**5,991**	**6,437**	**75,965**
2018							
At 1 January 2018	518	610	14,991	–	–	–	16,119
Deferred tax charged to profit or loss during the year *(note 10)*	(204)	(610)	(772)	–	–	–	(1,586)
At 31 December 2018	314	–	14,219	–	–	–	14,533

18. DEFERRED TAX *(continued)*

Deferred tax liabilities

	Allowance in excess of related accounting amortisation *RMB'000*	Fair value adjustment arising from acquisition of a subsidiary *RMB'000*	Right of use assets *RMB'000*	Total *RMB'000*
2019				
At 31 December2018	**17,693**	**–**	**–**	**17,693**
Effect of adoption of IFRS 16	**–**	**–**	**6,464**	**6,464**
At 1 January 2019 (as restated)	**17,693**	**–**	**6,464**	**24,157**
Effect of a business combination under common control *(note 28)*	**131,225**	**113,016**	**–**	**244,241**
Deferred tax charged to profit or loss during the year *(note 10)*	**(5,017)**	**(1,976)**	**(473)**	**(7,466)**
Gross deferred tax liabilities at 31 December 2019	**143,901**	**111,040**	**5,991**	**260,932**
2018				
At 1 January 2018	12,993	–	–	12,993
Deferred tax charged to profit or loss during the year *(note 10)*	4,700	–	–	4,700
At 31 December 2018	17,693	–	–	17,693

18. DEFERRED TAX *(continued)*

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

	2019	2018
	RMB'000	*RMB'000*
Gross deferred tax assets	**21,533**	1,312
Gross deferred tax liabilities	**(12,465)**	(976)
Net deferred tax assets	**9,068**	336
Gross deferred tax liabilities	**248,467**	16,717
Gross deferred tax assets	**(54,432)**	(13,221)
Net deferred tax liabilities	**194,035**	3,496

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. For dividends paid to foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from 1 January 2008, unless otherwise specified by the tax regulations and relevant tax agreements. The Company has fulfilled the obligation of WHT for 2018 final dividends which were paid to foreign shareholders before 31 December 2019.

19. TRADE RECEIVABLES

Trade receivables are analysed by categories as follows:

	2019	2018
	RMB'000	*RMB'000*
Batch payment arrangements	**44,130**	27,100
Inter-network toll collection and Electronic Toll Collection ("ETC") receivables	**6,929**	5,564
	51,059	32,664
Impairment allowance	**–**	–
	51,059	32,664

19. TRADE RECEIVABLES *(continued)*

The Group's trade receivables mainly arose from toll income receivables under the batch payment arrangements (the "Arrangements") on Chengpeng Expressway and Chengwenqiong Expressway. In accordance with the Arrangements entered into between the Group and certain local government agencies in Chengdu, the relevant government agencies agreed to pay the Group an amount of a batch payment fee for a certain period in consideration for certain qualified passenger vehicles passing through these two expressways without toll payment. Under the Arrangements, the batch payment fee is determined by reference to the actual traffic information and the current toll fee standards of the relevant toll roads, factors affecting future traffic volumes, such as economic growth and consumption level forecast, changes of road network conditions and the potential upside impact on traffic volume. Toll income receivables under the Arrangements are settled in accordance with the credit period of 1 month to 3 months as specified in the relevant contracts governing the Agreements.

According to the Official Reply on Optimising and Adjusting the Government's Batch Payment Policy for Chengdu Ring Expressway and Chengwenqiong Expressway (Chuan Jiao Han [2019] No. 633) issued by the Sichuan Provincial Transportation Department, from 1 December 2019, Chengdu registered vehicles without an ETC device shall no longer be entitled to Chengdu government's batch payment policy for Chengwenqiong Expressway. Instead, the toll payment shall be borne by the owners of Chengdu registered vehicles without an ETC device.

The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance for impairment of trade receivables, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**51,059**	32,664

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2019	2018
	RMB'000	*RMB'000*
Neither past due nor impaired	**51,059**	32,664

The Group does not hold any collateral or other credit enhancements over these balances.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	**2019** **RMB'000**	2018 RMB'000
Current portion			
Prepayment to suppliers		**2,541**	4,326
Due from related parties	*32(c)*	**4,804**	–
Government grant receivable	*(a)*	**241,687**	200,000
Deferred listing fees	*(b)*	**–**	44,586
Rental income receivable		**8,077**	2,577
Interest receivable		**9,218**	567
Others		**7,624**	4,956
		273,951	257,012
Impairment allowance		**(3,121)**	(2,750)
		270,830	254,262
Non-current portion			
Government grant receivable	*(a)*	**–**	230,247
		270,830	484,509

Notes:

(a) The balance represented the government grant receivable related to the expansion project of Chengpeng Expressway.

(b) Deferred listing fees represented legal and other professional fees relating to the listing which have been deducted from equity when the Company completed the listing on 15 January 2019.

21. CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**1,067,966**	694,825
Time deposits with original maturity of:		
– less than three months	**50,990**	183,790
– over three months	**387,557**	80,000
	1,506,513	958,615

At the end of the reporting period, cash and bank balances are denominated in RMB.

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

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

22. TRADE PAYABLES

An ageing analysis of trade payables as of the end of the reporting period based on the invoice date is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**128,878**	66,516
3 to 6 months	**1,439**	312,765
6 to 12 months	**22,708**	273,523
Over 1 year	**799,637**	353,423
	952,662	1,006,227
Retention monies, included in trade payables	**25,590**	28,313

Trade payables are non-interest-bearing. Except for the retention money payables arising from construction and upgrade services which are normally settled between six months and one year, credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

23. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Current portion			
Payroll and welfare payables		**40,816**	11,041
Taxes and surcharge payables		**24,468**	26,140
Due to related parties	*32(c)*	**25,746**	43
Inter-network toll collection payable	*(a)*	**3,974**	9,067
Deposits		**25,736**	16,812
Listing fees payable		**–**	11,844
Interest payable		**3,271**	1,464
Deferred income	*(b)*	**8,700**	4,062
Consultancy and professional fees		**2,792**	3,323
Others		**21,000**	16,675
		156,503	100,471
Non-current portion			
Deferred income	*(b)*	**120,224**	54,072
		276,727	154,543

Notes:

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

(b) Deferred income presented leasing income received in advance at the end of the reporting period and can be further analysed as follows:

	2019 RMB'000	2018 RMB'000
Current	**8,700**	4,062
Non-current	**120,224**	54,072
	128,924	58,134

The balance represented leasing income received in advance for occupying the Group's land and buildings along the expressways. Deferred income of the Group to be released to profit or loss after twelve months from the end of the year has been recorded as a non-current liability.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2019			2018		
	Notes	**Effective interest rate (%)**	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current:							
Bank loans – secured	*(a)*	**4.41-4.90**	**2020**	**104,657**	4.41-4.90	2019	35,000
Bank loans – unsecured	*(b)*	**4.41-4.90**	**2020**	**32,500**	4.41-4.90	2019	80,000
Other loans – secured	*(c)*	**4.90**	**2020**	**120,000**	4.90	2019	110,000
				257,157			225,000
Non-Current:							
Bank loans – secured	*(a)*	**4.41-4.90**	**2021-2030**	**1,793,500**	4.41-4.90	2020-2036	934,000
Bank loans – unsecured	*(b)*	**4.41-4.90**	**2021-2030**	**192,000**	4.41-4.90	2020-2025	274,500
Other loans – secured	*(c)*	**4.90**	**2020**	**–**	4.90	2020-2025	120,000
Other loan – unsecured	*(d)*	**4.90**	**2020-2024**	**772,060**			–
				2,757,560			1,328,500
				3,014,717			1,553,500

	2019 ***RMB'000***	2018 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**137,157**	115,000
In the second year	**209,000**	147,500
In the third to fifth years, inclusive	**882,000**	400,000
Beyond five years	**894,500**	661,000
	2,122,657	1,323,500
Other borrowings repayable:		
Within one year	**120,000**	110,000
In the second year	**–**	120,000
In the third to fifth years, inclusive	**772,060**	–
	892,060	230,000
Total bank and other borrowings	**3,014,717**	1,553,500

24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) The bank loans were secured by the service concession rights disclosed in note 16 to the financial statements. In addition, the bank loan of approximately RMB1,114,157,000 as at 31 December 2019 (2018: N/A) was also guaranteed by Chengdu Communications at nil consideration (note 32(b)).

(b) The bank borrowings of approximately RMB224,500,000 as at 31 December 2019 (2018: RMB354,500,000) were guaranteed by the Company and Chengwenqiong Expressway Company at nil consideration.

(c) The other borrowings of approximately RMB120,000,000 as at 31 December 2019 (2018: RMB230,000,000) were secured by the service concession arrangement of Chengwenqiong Expressway (note 16) with a net carrying amount of RMB1,140,153,000 as at 31 December 2019 (2018: RMB1,206,341,000).

(d) The unsecured other loan represented interest-bearing loans received from Chengdu Expressway Construction in 2019 (note 32(c)).

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

25. ISSUED CAPITAL

	2019 ***RMB'000***	2018 *RMB'000*
Issued and fully paid:		
Domestic shares of 1,200,000,000 of RMB1.00 each	**1,200,000**	1,200,000
H shares of 456,102,000 of RMB1.00 each	**456,102**	–
	1,656,102	1,200,000

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

A summary of movements in the Group's issued capital during the year is as follows:

	Number of shares	Issued capital in issue *RMB'000*
At 1 January 2019	**1,200,000,000**	1,200,000
Initial public offering *(note (a))*	**400,000,000**	400,000
Exercise of the over-allotment option *(note (b))*	**56,102,000**	56,102
At 31 December 2019	**1,656,102,000**	1,656,102

25. ISSUED CAPITAL *(continued)*

Notes:

(a) Initial Public Offering

On 15 January 2019, 400,000,000 ordinary shares of par value RMB1 each were issued at a price of HK$2.2 per share in connection with the Company's IPO. The proceeds of HK$464,490,000 (equivalent to approximately RMB400,000,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$415,510,000 (equivalent to approximately RMB357,821,000) before issuing expenses were credited to the share premium account.

(b) Over-allotment Offering

On 12 February 2019, 56,102,000 over-allotment ordinary shares of par value RMB1 each were issued at a price of HK$2.2 per share. The proceeds of HK$64,967,400 (equivalent to approximately RMB56,102,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$58,457,000 (equivalent to approximately RMB50,480,000) before issuing expenses were credited to the share premium account.

26. 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 on page 113 of the financial statements.

(a) Share premium

The application of the share premium account is governed by the Company Law of the PRC. Under the constitutional documents and the Company Law of the PRC, the share premium is distributable as a dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Statutory reserve

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

According to the articles of association of the subsidiaries located in Mainland China, the Company and the subsidiaries are required to allocate 10% of their profit after tax in accordance with PRC GAAP to the SSR.

The SSR is non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

26. RESERVES *(continued)*

(c) Other reserve

It represents the fair value of 40% of the share of identifiable net assets of Chengbei Exit Expressway Company's attributable share as at the acquisition date of RMB121,818,000.

(d) Merger deficit

It represents the difference between (i) the consideration of RMB429,777,000 paid by Chengdu Expressway Construction to acquire 51% equity interests in Chengming Expressway Company, (ii) after netting off the consideration of RMB485,143,000 paid to Chengdu Expressway Construction by the Group on the acquisition of 51% equity interests in Chengming Expressway Company.

27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests at the reporting dates:		
Chengdu Airport Expressway Company	**45.00%**	45.00%
Chengming Expressway Company	**49.00%**	–

	2019 *RMB'000*	2018 *RMB'000*
Accumulated balances of non-controlling interests at the reporting dates:		
Chengdu Airport Expressway Company	**136,957**	132,952
Chengming Expressway Company	**376,771**	–
Profit/(loss) for the year allocated to non-controlling interests of		
Chengdu Airport Expressway Company	**35,563**	30,523
Chengming Expressway Company	**(3,461)**	–
Dividends paid to non-controlling shareholders of		
Chengdu Airport Expressway Company	**31,558**	26,361
Chengming Expressway Company	**–**	–

27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries:

Chengdu Airport Expressway Company

	2019	2018
	RMB'000	*RMB'000*
Revenue	**142,570**	144,109
Total expenses	**(63,541)**	(76,280)
Profit and total comprehensive income for the year	**79,029**	67,829
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 cash flows from operating activities	**108,481**	99,473
Net cash flows from/(used) in investing activities	**280**	(153)
Net cash flows used in financing activities	**(70,349)**	(140,485)
Net increase/(decrease) in cash and cash equivalents	**38,412**	(41,165)

Chengming Expressway Company

	From 7 May 2019 to 31 December 2019
	RMB'000
Revenue	**133,171**
Total expenses	**(140,233)**
Loss and total comprehensive loss for the period	**(7,062)**
Net cash flows from operating activities	**526**
Net cash flows from used in investing activities	**(23,369)**
Net decrease in cash and cash equivalents	**(22,843)**

27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

Chengming Expressway Company *(continued)*

	2019
	RMB'000
Current assets	**90,695**
Non-current assets, excluding goodwill	**2,892,230**
Goodwill on acquisition	**34,026**
Current liabilities	**(141,582)**
Non-current liabilities	**(2,072,422)**

28. BUSINESS COMBINATION UNDER COMMON CONTROL

On 16 December 2019, the Group acquired 51% equity interests in Chengming Expressway Company from Chengdu Expressway Construction for a consideration of RMB485,143,000. Chengming Expressway Company is engaged in the management and operation of Qiongming Expressway. The acquisition was made as part of the Company's development strategy to acquire high-quality expressways and will benefit the competition against the surrounding expressway.

As the Group and Chengming Expressway Company are under the common control of Chengdu Expressway Construction before and after the acquisition, the business combination has been accounted for in the consolidated financial statements of the Group as a business combination under common control based on the principles of merger accounting as if the acquisition had occurred when Chengming Expressway Company first came under the control of Chengdu Expressway Construction on 7 May 2019. On 7 May 2019, Chengdu Expressway Construction acquired the 100% equity interests in Chengming Expressway Company from independent third parties at a cash consideration of RMB842,700,000. Upon this acquisition and the business combination under common control effected on 16 December 2019, Chengming Expressway Company also became a subsidiary of the Group since 7 May 2019.

Under the principles of merger accounting, the assets and liabilities of Chengming Expressway Company are consolidated in the Group's financial statements using the existing book values as stated in the consolidated financial statements of Chengdu Expressway Construction immediately prior to the combination. The difference between the consideration paid by Chengdu Expressway Construction to acquire 51% equity interests in Chengming Expressway Company of RMB429,777,000 and the distribution to Chengdu Expressway Construction on the acquisition of 51% equity interests in Chengming Expressway Company of RMB485,143,000 amounted to RMB55,366,000. Such difference was recognised in the merger deficit account.

28. BUSINESS COMBINATION UNDER COMMON CONTROL *(continued)*

The following table shows the amount of goodwill recognised and fair values of the net identifiable assets and liabilities of Chengming Expressway Company as at the date when Chengming Expressway Company first came under the control of Chengdu Expressway Construction on 7 May 2019:

	Notes	**Fair values at 7 May 2019** ***RMB'000***
Property, plant and equipment	*13*	**57,377**
Right-of-use assets	*14*	**35,012**
Service concession arrangements	*16*	**2,828,719**
Trade receivables		**2,269**
Prepayments, other receivables and other assets		**8,401**
Cash and bank balances		**111,831**
Trade payables		**(9,495)**
Other payables and accruals		**(9,776)**
Interest-bearing bank and other borrowings		**(1,995,374)**
Deferred income		**(63,734)**
Deferred tax liabilities	*18*	**(189,247)**
Total identifiable net assets at fair value		**775,983**
Non-controlling interests		**(380,232)**
Goodwill on acquisition		**34,026**
The proportionate share of the consideration paid by Chengdu Expressway Construction for the acquisition of the 51% equity interests in Chengming Expressway Company		**429,777**

The Group has elected to measure the non-controlling in Chengming Expressway Company at the non-controlling interest's proportion share of Chengming Expressway Company's identifiable net assets.

Had the combination take 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 RMB1,312,708,000 and RMB471,055,000, respectively.

The Group incurred transaction costs of RMB2,654,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss.

An analysis of the cash flows in respect of the acquisition of Chengming Expressway Company is as follows:

	RMB'000
Cash consideration	(485,143)
Cash and bank balances acquired	111,831
Net outflow of cash and cash equivalents included in cash flows from investing activities	(373,312)

Since 7 May 2019, Chengming Expressway Company contributed RMB133,171,000 to the Group's revenue and caused a loss of RMB7,062,000 to the consolidated profit for the year ended 31 December 2019.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank and other borrowings	Due to the parent company	Lease liabilities	Interest payable
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2019				
At 31 December 2018	1,553,500	–	–	1,464
Effect of adoption of IFRS 16	–	–	37,991	–
At 1 January 2019 (restated)	1,553,500	–	37,991	1,464
Effect of a business combination under common control *(note 28)*	1,995,374	–	–	–
Changes from financing cash flows	(534,157)	–	(5,751)	(105,487)
Interest expenses	–	25,746	1,826	107,294
New lease	–	–	1,028	–
At 31 December 2019	3,014,717	25,746	35,094	3,271
2018				
At 1 January 2018	1,455,500	–	–	2,065
Changes from financing cash flows	98,000	–	–	(73,639)
Interest expenses	–	–	–	71,701
Interest capitalised	–	–	–	1,337
At 31 December 2018	1,553,500	–	–	1,464

(b) 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	**5,751**

30. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

31. COMMITMENTS

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

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:	**7,025**	10,520

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its land and offices under operating lease arrangements. Leases for land are negotiated for terms from 8.5 to 18.6 years. Leases for offices were for terms within 2 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	3,803
In the second to fifth years, inclusive	15,324
After five years	30,438
	49,565

32. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the year.

(a) Name of related parties and their relationships with the Group

Related parties	Relationships
Chengdu Communications	Ultimate holding company
Chengdu Expressway Construction	Parent company
Chengdu Transportation Junction Construction Management Co., Ltd. ("Chengdu Junction")	A company controlled by Chengdu Communications
Chengdu Communications Assets Management Co., Ltd. ("Assets Management")	A company controlled by Chengdu Communications
Chengdu Zhongyou Energy Co., Ltd. ("Zhongyou Energy")	An indirect associate of Chengdu Communications
Chengdu Road and Bridge Management Co., Ltd. ("Chengdu Road & Bridge")	A company controlled by Chengdu Expressway Construction

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties:

(b) Transactions with related parties

(1) Land leasing income received

	2019	2018
	RMB'000	*RMB'000*
Zhongyou Energy	**526**	591

The directors consider that the rental expenses charged to Zhongyou Energy as determined under the tenancy agreement are based on market rates for similar premises at similar locations.

32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Transactions with related parties *(continued)*

(2) Properties leased from a related party

	2019	2018
	RMB'000	*RMB'000*
Chengdu Junction	**–**	1,070

The directors consider that the office rental expenses paid by the Group to Chengdu Junction as determined under the tenancy agreement were based on market rates for similar locations.

Upon the adoption of IFRS 16, the above lease contract was recognised and measured as a right-of-use asset. During the year, the rental paid by the Group to Chengdu Junction amounted to RMB1,949,000.

(3) Property management and other general services from related parties

	2019	2018
	RMB'000	*RMB'000*
Assets Management	**1,319**	690
Chengdu Junction	**161**	135

The directors consider that property management and other general service expenses paid by the Group to Assets Management and Chengdu Junction as determined under the property management and other general service agreements were based on market rates for similar locations/services.

(4) Acquisition of equity interests from the parent company

	2019	2018
	RMB'000	*RMB'000*
Chengdu Expressway Construction	**485,143**	–

The consideration for the acquisition of 51% equity interests in Chengming Expressway Company was determined with reference to the valuation of the equity value of Chengming Expressway Company as determined by the independent valuer engaged by the Company and after arm's-length negotiation with Chengdu Expressway Construction.

32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Transactions with related parties *(continued)*

(5) Interest charged for unsecured loans from a related party

	2019	2018
	RMB'000	*RMB'000*
Chengdu Expressway Construction	**25,746**	–

Prior to 7 May 2019, Chengming Expressway Company received interest-bearing loan amounting to RMB772,060,000 from Chengdu Expressway Construction. Such loan was included in interest-bearing bank and other borrowings at 31 December 2019 (note 32(c)). The interest rate charged by Chengdu Expressway Construction is at 4.9% per annum as determined under the loan agreement.

(6) Bank loans guarantees provided by related parties

	2019	2018
	RMB'000	*RMB'000*
Chengdu Communications	**1,114,157**	–

The bank loans were guaranteed by related parties for nil consideration.

(7) Construction compensation from a related party

	2019	2018
	RMB'000	*RMB'000*
Chengdu Road & Bridge	**11,853**	–

On 14 October 2019, Chengdu Airport Expressway Company and Chengdu Road & Bridge entered into the construction compensation agreement (the "Agreement") of the 3rd Ring Road Expansion and Upgrading Project (Renovation Project of the Blue Sky Interchange Node) on Chengdu Airport Expressway (the "Project"). Under the Agreement, Chengdu Road & Bridge shall pay an aggregate compensation of RMB11,853,000 for temporary occupation of the relevant main sections, side ditches and green belts of Chengdu Airport Expressway, the impact on toll income and other losses suffered by Chengdu Airport Expressway during the construction period.

In addition, Chengdu Road & Bridge made a lump-sum compensation of RMB2,567,000 as compensation to permanently occupy certain green belts along Chengdu Airport Expressway. The lump-sum compensation was recorded as deferred income and amortised over the remaining concession period of Chengdu Airport Expressway.

32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(c) Balances with related parties

	Notes	**2019 RMB'000**	2018 RMB'000
Due from related parties:			
Non-trade in nature			
– Chengdu Junction	*(i)*	**–**	178
– Zhongyou Energy	*(ii)*	**355**	–
– Assets Management	*(iii)*	**134**	–
– Chengdu Road & Bridge	*(iv)*	**4,315**	–
		4,804	178
Due to a related party:			
Non-trade in nature			
– Assets Management	*(iii)*	**–**	43
– Chengdu Expressway Construction	*(v)*	**25,746**	–
		25,746	43
Unsecured other loan, included in interest-bearing bank and other borrowings:			
– Chengdu Expressway Construction	*(vi)*	**772,060**	–

Notes:

(i) The balance due from Chengdu Junction in 2018 represented office leasing rental prepaid to Chengdu Junction.

(ii) The balance due from Zhongyou Energy represented a leasing rental receivable from Zhongyou Energy.

(iii) The balance due to Assets Management in 2018 represented management and other general service fees payable to Assets Management. The balance due from Assets Management in 2019 represented management and other general service fees prepaid to Assets Management.

(iv) The balance due from Chengdu Road & Bridge represented the compensation receivable from Chengdu Road & Bridge as described above.

(v) The balance due to Chengdu Expressway Construction represented interest-bearing loan from Chengdu Expressway Construction.

(vi) The unsecured other loans represented interest-bearing loans received from Chengdu Expressway Construction in 2019.

32. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(d) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Fees	**270**	480
Salaries, allowances and benefits in kind	**5,292**	3,554
Pension scheme contributions	**424**	466
	5,986	4,500

Further details of directors' and supervisor's emoluments are included in note 9 to the financial statements.

The related party transactions in respect of items (b)(7) and (b)(2) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. 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:

Financial assets

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost		
Trade receivables	**51,059**	32,664
Financial assets included in prepayments, other receivables and other assets	**28,932**	435,597
Cash and cash equivalents	**1,506,513**	958,615
	1,586,504	1,426,876
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	**500**	500
	1,587,004	1,427,376

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	2019	2018
	RMB'000	*RMB'000*
Financial liabilities at amortised cost		
Trade payables	**952,662**	1,006,227
Financial liabilities included in other payables and accruals	**77,197**	59,228
Interest-bearing bank and other borrowings	**3,014,717**	1,553,500
Lease liabilities	**35,094**	–
	4,079,670	2,618,955

34. 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 their short terms to maturity, are as follows:

	Carrying amounts		**Fair value**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amounts				
Financial assets				
Financial assets at fair value through profit or loss	**500**	500	**500**	500
Government grant receivable, non-current portion	**–**	230,247	**–**	230,247
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion:				
– Bank loans	**1,985,500**	1,208,500	**1,900,507**	1,227,747
– Other borrowings	**772,060**	120,000	**736,592**	123,985

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, the current portion of lease liabilities, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

Management has assessed that the fair value of financial assets at fair value through profit and loss approximates to its carrying amount based on valuation techniques which requires significant unobservable inputs.

The fair values of the non-current portion of the Group's government grant receivable 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.

Fair value hierarchy

The fair value measurement hierarchy of the Group's non-current portion of financial assets and financial liabilities for which fair values are disclosed is considered to be Level 3, which required significant unobservable inputs as at the end of reporting period. The fair value measurement hierarchy of the financial assets at fair value through profit or loss requires significant unobservable inputs (Level 3). The significant unobservable inputs used in the fair value measurement are the discount rate and long-term growth rate. It is estimated that with all other variables held constant, a decrease/(an increase) in the estimated discount rate and an increase/(a decrease) in the estimated long-term growth rate would result in an increase/(a decrease) in the fair value of the financial assets at fair value through profit or loss.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, trade and other receivables, cash and cash equivalents, and trade and other payables. 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.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors 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 24. 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.

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, other receivables and other assets represent the Group's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Group controls the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the credit exposure to a single financial institution to an acceptable level.

(i) Credit risk of cash and cash equivalents

To manage this risk arising from cash and cash equivalents, they are mainly placed with banks with a high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade receivables

As the Group's major receivables are 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 and the directors consider that the expected credit risks of them are minimal in view of the history of cooperation with them.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

(iii) Credit risk of other receivables

Other receivables at the end of the reporting period mainly comprised a government grant receivable and rental income receivables. The directors consider the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behaviour of the third party, including changes in the payment status of the third party.

For other receivables, the directors make periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. Therefore, the expected credit loss is estimated to be minimal.

Based on historical experience, except for the government grant receivable, a majority of the other receivables were settled within 1 month after upon maturity, and hence, the expected credit loss is close to zero. The Directors consider that the expected credit risk of government grant receivable is minimal as the receivable is due from Chengdu Municipal Government where the Group believes that it is of high credit quality.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings.

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	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Interest-bearing bank and other borrowings	**–**	**36,106**	**363,703**	**2,291,022**	**977,810**	**3,668,641**
Lease liabilities	**–**	**–**	**4,683**	**15,103**	**26,832**	**46,618**
Trade payables	**793,171**	**127,273**	**–**	**32,218**	**–**	**952,662**
Other payables and accruals	**42,722**	**8,739**	**25,736**	**–**	**–**	**77,197**
	835,893	**172,118**	**394,122**	**2,338,343**	**1,004,642**	**4,745,118**

	2018					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	18,030	275,009	846,593	729,068	1,868,700
Trade payables	689,228	285,186	31,813	–	–	1,006,227
Other payables and accruals	5,844	21,796	31,588	–	–	59,228
	695,072	325,012	338,410	846,593	729,068	2,934,155

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The Group's objectives for capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, and to provide an adequate return for shareholders by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt comprises interest-bearing bank and other borrowings, lease liabilities, trade payables, other payables and accruals, and tax payable, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2019 *RMB'000*	**1 January 2019** *RMB'000* *(note)*	31 December 2018 *RMB'000*
Trade payables	**952,662**	**1,006,227**	1,006,227
Other payables and accruals	**156,503**	**100,471**	100,471
Tax payable	**45,773**	**12,032**	12,032
Lease liabilities	**35,094**	**37,991**	–
Interest-bearing bank and other borrowings	**3,014,717**	**1,553,500**	1,553,500
Less: Cash and cash equivalents	**(1,506,513)**	**(958,615)**	(958,615)
Net debt	**2,698,236**	**1,751,606**	1,713,615
Total equity	**3,816,006**	**2,464,378**	2,464,378
Capital and net debt	**6,514,242**	**4,215,984**	4,177,993
Gearing ratio	**41%**	**42%**	41%

Note: The Group has adopted IFRS 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 41% to 42% on 1 January 2019 when compared with the position as at 31 December 2018.

36. EVENTS AFTER THE REPORTING PERIOD

(a) The Company received the Notice on Waiver of Tolls on Toll Roads During Containment of COVID-19 Pneumonia from the Ministry of Transport of the People's Republic of China on 15 February 2020, pursuant to which the Ministry of Transport determined that tolls of toll expressways nationwide will be waived during the containment of the pneumonia pandemic caused by COVID-19. The waiver period shall commence from 00:00 on 17 February 2020 till the end of the containment of the pandemic. The specific termination time and date is subject to further notice.

Since toll income constitutes the primary source of revenue of the Group, the directors of the Company expected that the implementation of such policy will result in a significant decline in the revenue of the Group during the containment of the COVID-19 Pneumonia, and the degree of the impact depends on the situation of the pandemic preventive measures and the duration of the pandemic.

(b) The Group will monitor the developments of the COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

(c) On 4 March 2020, the Group entered into the project investment agreement with the People's Government of Pidu District in Chengdu, Sichuan Province ("Pidu District Government"), pursuant to which, Pidu District Government shall support the Group to invest in the construction of a Class B expressway service area in proximity to Ande Toll Station (near K22 of Chengguan Expressway) within Pidu District. Please refer to the Company's announcement dated 4 March 2020 for further details.

Except for the events mentioned above, no significant events that require additional disclosure or adjustments occurred after the reporting period.

37. 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	**56,861**	45,763
Right-of-use assets	**13,117**	–
Service concession arrangements	**521,160**	549,504
Software	**279**	80
Deferred tax assets	**1,279**	–
Investments in subsidiaries	**2,062,097**	1,635,921
Investment in an associate	**106,064**	126,141
Total non-current assets	**2,760,857**	2,357,409
CURRENT ASSETS		
Trade receivables	**5,276**	3,993
Prepayments, other receivables and other assets	**10,883**	49,397
Dividend receivables	**–**	–
Cash and cash equivalents	**777,151**	283,636
Total current assets	**793,310**	337,026
CURRENT LIABILITIES		
Tax payable	**6,059**	6,640
Trade payables	**32,488**	25,738
Lease liabilities	**1,764**	–
Other payables and accruals	**37,286**	36,386
Interest-bearing bank loans	**23,000**	30,000
Total current liabilities	**100,597**	98,764
NET CURRENT ASSETS	**692,713**	238,262
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,453,570**	2,595,671

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**192,000**	215,000
Deferred income	**16,692**	11,330
Lease liabilities	**10,745**	–
Deferred tax liabilities	**–**	3,036
Total non-current liabilities	**219,437**	229,366
Net assets	**3,234,133**	2,366,305
EQUITY		
Issued capital	**1,656,102**	1,200,000
Reserves *(note)*	**1,578,031**	1,166,305
Total equity	**3,234,133**	2,366,305

NOTES TO FINANCIAL STATEMENTS

31 December 2019

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

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

	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Retained earnings *RMB'000*	Other reserve *RMB'000*	Total *RMB'000*
At 1 January 2018	222,865	61,612	401,497	314,833	1,000,807
Total comprehensive income for the year	–	–	387,489	–	387,489
Transfer from retained earnings	–	39,092	(39,092)	–	–
Dividend declared	–	–	(221,991)	–	(221,991)
At 31 December 2018 and 1 January 2019	**222,865**	**100,704**	**527,903**	**314,833**	**1,166,305**
Total comprehensive income for the year	**–**	**–**	**339,637**	**–**	**339,637**
Transfer from retained earnings	**–**	**35,691**	**(35,691)**	**–**	**–**
Issue of new shares for the IPO	**357,821**	**–**	**–**	**–**	**357,821**
Exercise of the over-allotment option	**50,480**	**–**	**–**	**–**	**50,480**
Share issue expenses	**(61,952)**	**–**	**–**	**–**	**(61,952)**
Effect of a business combination under common control	**–**	**–**	**–**	**(58,967)**	**(58,967)**
Dividend declared	**–**	**–**	**(215,293)**	**–**	**(215,293)**
At 31 December 2019	**569,214**	**136,395**	**616,556**	**255,866**	**1,578,031**

According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC Generally Accepted Accounting Principles and the amount determined under IFRSs.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board on 27 March 2020.

CORPORATE INFORMATION

As at the Latest Practicable Date

DIRECTORS

Executive Directors

Mr. Tang Fawei *(General Manager)*
Mr. Zhang Dongmin
Ms. Wang Xiao
Mr. Luo Dan

Non-executive Directors

Mr. Xiao Jun *(Chairman of the Board)*
Mr. Yang Bin

Independent non-executive Directors

Mr. Shu Wa Tung, Laurence
Mr. Ye Yong
Mr. Li Yuanfu

JOINT COMPANY SECRETARIES

Mr. Zhang Guangwen
Ms. Kwong Yin Ping, Yvonne

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Shu Wa Tung, Laurence *(Chairman)*
Mr. Ye Yong
Mr. Yang Bin

NOMINATION COMMITTEE

Mr. Xiao Jun *(Chairman)*
Mr. Li Yuanfu
Mr. Ye Yong

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ye Yong *(Chairman)*
Mr. Luo Dan
Mr. Li Yuanfu

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Tang Fawei *(Chairman)*
Ms. Wang Xiao
Mr. Shu Wa Tung, Laurence

PRINCIPAL BANKS

Bank of China
Chengdu Shudu Branch

Industrial and Commercial Bank
Sichuan Chengdu Jinniu Branch

REGISTERED OFFICE

1 Kexin Road
High-Tech Zone
Chengdu, Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

9th Floor, Chengnan Tianfu Building
No. 66 Shenghe 1st Road, High-Tech Zone
Chengdu, Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

As at the Latest Practicable Date

SUPERVISORY COMMITTEE

Ms. Jiang Yan *(Chairman of the Supervisory Committee)*
Ms. Wu Haiyan
Mr. Pan Xin
Ms. Xu Jingxian *(employee representative Supervisor)*
Mr. Zhang Jian *(employee representative Supervisor)*

AUTHORISED REPRESENTATIVES

Mr. Luo Dan
Mr. Zhang Guangwen

AUDITOR

Ernst & Young

LEGAL ADVISERS

As to Hong Kong Law:
DLA Piper Hong Kong

As to PRC Law:
Tahota Law Firm (泰和泰律師事務所)

COMPLIANCE ADVISER

Alliance Capital Partners Limited

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTOR RELATIONS

Email: cggfdb@chengdugs.com
Tel: 86 28 86056037

LISTING PLACE

The Stock Exchange of Hong Kong Limited
Stock abbreviation: CHENGDU EXPWY
Stock Code: 1785

WEBSITE

www.chengdugs.com