Sichuan Expressway Company Limited

(Stock Code: 00107)

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

2021
ANNUAL REPORT

CONTENTS

I	Definitions	2
II	Corporate Information	9
III	Company Profile	11
IV	Chairman's Statement	13
V	Management's Discussion and Analysis	21
VI	Corporate Governance Report	46
VII	Report of the Directors	79
VIII	Profile of Directors, Supervisors, Senior Management and Employees	102
IX	Report of the Supervisory Committee	116
X	Independent Auditor's Report	121
XI	Consolidated Statement of Profit or Loss and Other Comprehensive Income	127
XII	Consolidated Statement of Financial Position	129
XIII	Consolidated Statement of Changes in Equity	131
XIV	Consolidated Statement of Cash Flows	133
XV	Notes to Financial Statements	135

DEFINITIONS

In this section, the definitions are presented in alphabetical order (A–Z).

I. NAME OF EXPRESSWAY PROJECTS

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

II. BRANCHES, SUBSIDIARIES AND PRINCIPAL INVESTED COMPANIES

Airport Expressway Company	Chengdu Airport Expressway Company Limited
Chengbei Company	Chengdu Chengbei Exit Expressway Company Limited
Chengle Company	Sichuan Chengle Expressway Company Limited
Chengle Operation Branch	Operation and Management Branch of Sichuan Chengle Expressway Company Limited
Chengqiongya Company	Sichuan Chengqiongya Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengya Oil Company	Sichuan Chengya Expressway Oil Supply Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited
Chengyu Branch	Sichuan Expressway Company Limited Chengyu Branch
Chengyu Development Fund	Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership)
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
Chengyu Logistics Company	Sichuan Chengyu Logistics Company Limited (四川成渝物流有限公司)
Chengyu Private Equity Fund Company	Sichuan Chengyu Private Equity Fund Management Co., Ltd. (formerly known as "Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd.", former abbreviation "Chengyu Jianxin Fund Company", with the change of shareholders and change of name on 25 January 2022)
Chengyu Technology	Sichuan Chengyu Transportation Technology Development Co., Ltd.* (四川成渝交通科技發展有限公司) (formerly known as "Sichuan Chengyu Education Investment Co., Ltd.* (四川成渝教育投資有限公司)" (former abbreviation "Chengdu Education Company")), with changes in the name and its scope of business registered on 21 May 2021)
Commercial Factoring Company	Sichuan Chengyu Commercial Factoring Company Limited (previously known as "Tianyi United Commercial Factoring (Luzhou) Company Limited (天乙多聯商業保理(瀘州)有限公司)")

CSI SCE	CSI SCE Investment Holding Limited
Lushan Shuhan Company	Lushan County Shuhan Engineering Construction Management Co., Ltd. (蘆山縣蜀漢工程建設管理有限公司)
Lushan Shunan Company	Lushan County Shunan Engineering Construction Project Management Co., Ltd. (蘆山縣蜀南工程建設項目管理有限公司)
Multimodal United Transportation Company	Sichuan Multimodal United Transportation Investment and Development Co., Ltd.*(四川省多式聯運投資發展有限公司) (formerly known as "Sichuan Tianyi United Investment & Development Co., Ltd (四川省天乙多聯投資發展有限公司)")
Renshou Bank	Sichuan Renshou Rural Commercial Bank Co. Ltd.
Renshou Shunan Company	Renshou Shunan Investment Management Company Limited
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Chengxing Company	Ziyang Shunan Chengxing Project Construction & Management Co., Ltd.
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shuxia Company	Sichuan Shuxia Industrial Company Limited
Suiguang-Suixi Company	Sichuan Suiguang-Suixi Expressway Company Limited
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited
Zhongxin Company	Sichuan Zhongxin Assets Management Co., Ltd.

III. OTHERS

2021 AGM	the 2021 annual general meeting of the Company to be held on 25 May 2022 (Wednesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 20 April 2022 (Wednesday)
A Share(s)	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Agreement on the Completion of Inheritance of Assets	Agreement on the Completion of Inheritance of Assets among Shudao Investment Group Company Limited, Sichuan Transportation Investment Group Company Limited* (四川省交通投資集團有限責任公司) and Sichuan Railway Investment Group Co., LTD.* (四川省鐵路產業投資集團有限責任公司)
Articles of Association	the articles of association of the Company, as amended from time to time
associate(s)	has the meaning ascribed thereto under the Listing Rules of the Stock Exchange
associated corporation(s)	has the meaning ascribed thereto under the SFO
Audit Committee	the audit committee under the Board
Board	the board of Directors of the Company
BOT Project	build-operation-transfer project
BT Project	build-transfer project
Chengle Expressway Capacity Expansion Construction Project	Capacity Expansion Construction Project for Chengdu to Leshan Expressway
Chengle Expressway Capacity Expansion Trial Project	Capacity Expansion Trial Project for Qinglongchang to Meishan Section of Chengle Expressway
China Merchants Expressway Company	China Merchants Expressway Network and Technology Holdings Co., Ltd. (previously known as China Merchants Huajian Highway Investment Company Limited), the substantial shareholder of the Company
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission

Development Investment Company	Sichuan Development Equity Investment Fund Management Co., Ltd.
Director(s)	director(s) of the Company
Dividend Entitlement Date	14 June 2022 (Tuesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2021 final dividend of the Company (if approved by the Shareholders at the 2021 AGM)
Group	the Company and its subsidiaries
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of Stock Exchange
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be)
Lushan Tourism Highway Project	the PPP Project of the construction of tourism road from Longmen, Lushan County to Baosheng to Dachuan
Merger Agreement	Merger Agreement of Sichuan Transportation Investment Group Company Limited* (四川省交通投資集團有限責任公司) and Sichuan Railway Investment Group Co., LTD* (四川省鐵路產業投資集團有限責任公司)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by the Directors and the Supervisors of the Company
Nomination Committee	the nomination committee under the Board

PPP Project	Public-Private Partnership project
PRC or Mainland China	The People's Republic of China, for the purpose of this annual report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
Remuneration and Appraisal Committee	the remuneration and appraisal committee under the Board
Renshou Landmark Company	Renshou Trading Landmark Company Limited
RMB	Renminbi, the lawful currency of the PRC
Road & Bridge International	Road & Bridge International Co., Ltd, a company incorporated in the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	A Share(s) and/or H Share(s) (as the case may be)
Shareholder(s)	holder(s) of Shares
Shudao Group	Shudao Investment and its subsidiaries
Shudao Investment	Shudao Investment Group Co., Ltd., the controlling shareholder of the Company (established by STIG and SRIG by way of merger and inheritance of assets, subject to the completion of share transfer procedures disclosed in the announcement of the Company dated 28 May 2021 by Shudao Investment)
Sichuan Expressway Construction and Development	Sichuan Expressway Construction & Development Group Co., Ltd.
SRIG	Sichuan Railway Investment Group Co., LTD* (四川省鐵路產業投資集團有限責任公司)
SRIG Group	Sichuan Railway Investment Group Co., LTD* (四川省鐵路產業投資集團有限責任公司) and its subsidiaries
SSE	Shanghai Stock Exchange
STIG	Sichuan Transportation Investment Group Corporation Limited, the controlling shareholder of the Company
STIG Group	STIG and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited

DEFINITIONS (CONTINUED)

Strategic Committee	the strategic committee under the Board
Suiguang Suixi Expressways BOT Project	the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build-operate-transfer)
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	supervisory committee of the Company
Tianqiong Expressway BOT Project	the project of Chengdu Tianfu New District to Qionglai Expressway BOT (build-operate-transfer)
Tianqiong Expressway Project	Expressway project for Chengdu Tianfu New District to Qionglai
Trading Property Company	Sichuan Trading Property Company Limited (四川交投地產有限公司)
Transportation Construction Company	Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司) (formerly known as "Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司) "and "Sichuan Shugong Expressway Engineering Company Limited* (四川蜀工高速公路機械化工程有限公司)"
Year or Reporting Period	the 12 months ended 31 December 2021

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

CORPORATE INFORMATION

Statutory Chinese and English Names of the Company	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
Legal Representative Company	Gan Yongyi
Website	http://www.cygs.com
Company's Registered Address and Office Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal Code	610041
Acting Secretary to the Board *note*	Guo Renrong
Tel	(86) 28-8552-7526
Representative of Securities Affairs	Wang Aihua
Tel	(86) 28-8552-6105
Fax	(86) 28-8553-0753
Investors' Hotline	(86) 28-8552-6105／(86)28-8552-7526
E-mail	cygswah@163.com
Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Stock Exchanges of the Listing Shares	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express
Newspapers Selected by the Company for Information Disclosure	China Securities Journal, Shanghai Securities News

Note:

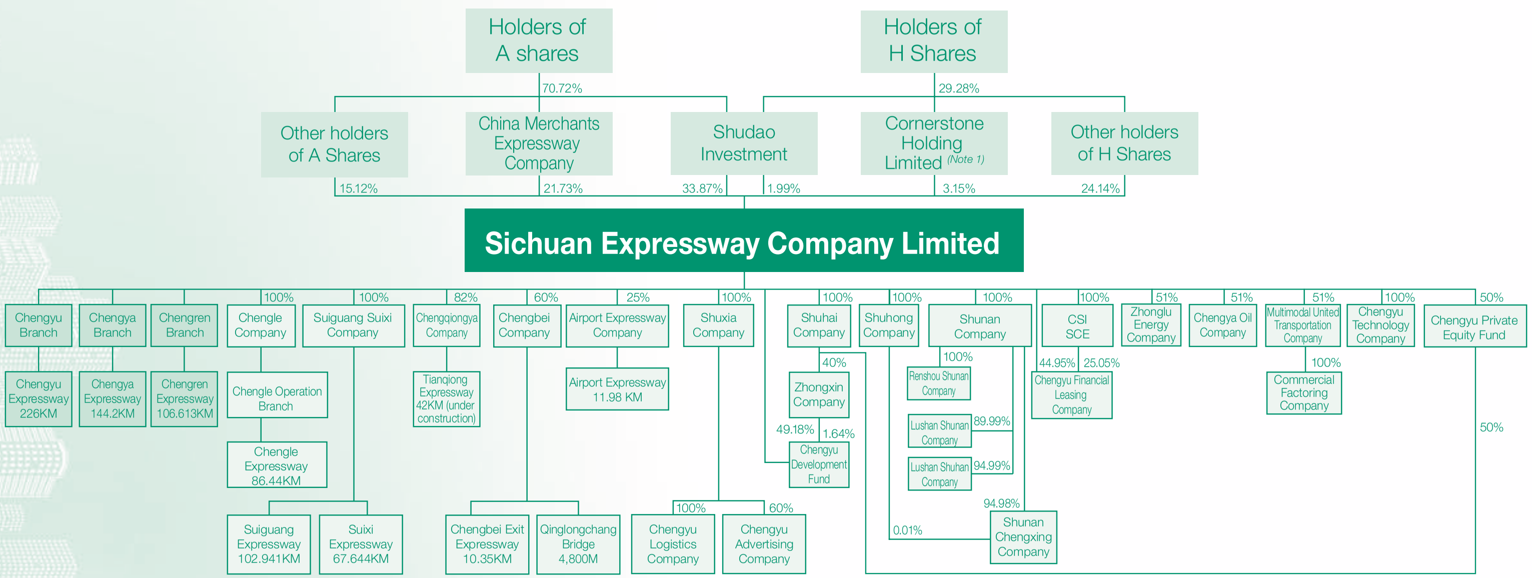
On 22 March 2022, Mr. Zhang Yongnian resigned as the Secretary to the Board of the Company (company secretary) and the authorised representative of the Company for matters relating to the Hong Kong Listing due to work arrangement. On 30 March 2022, the Company convened the 21st meeting of the seventh session of the Board, at which Mr. Guo Renrong, the Financial Controller of the Company, was appointed to act as the Secretary to the Board of the Company until the date when the newly appointed Secretary to the Board officially takes office.

CORPORATE INFORMATION (CONTINUED)

Websites Designated for Publication of the Annual Report of the Company	http://www.sse.com.cn http://www.hkex.com.hk http://www.cygs.com
Place for Inspection of the Annual Report of the Company	PRC: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC Hong Kong: 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young Certified Public Accountants 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
PRC Auditor	Shinewing Certified Public Accountants (Special General Partnership) 8th Floor, Block A, Fu Hua Mansion, No.8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing City, the PRC
Hong Kong Legal Adviser	Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Beijing Zhongyin (Chengdu) Law Firm (北京市中銀(成都)律師事務所) 13th Floor, Block B, OCG International Center, No. 158 Tianfu 4th Avenue, GaoXin District, Chengdu, Sichuan Province, the PRC (中國四川省成都市高新區天府四街158號OCG國際中心B座13層)
Domestic Shares Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, No. 166 Lujiazui East Road, Pudong, Shanghai, the PRC
Hong Kong Shares Registrar and Transfer Office	Hong Kong Registrars Limited 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Place of Business in Hong Kong	Rooms 2201–2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
Unified Social Credit Code	9151000020189926XW
Principal Banker	China Construction Bank

The Company was incorporated in the Industry and Commerce Bureau of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009, respectively. The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects as well as the operation of other businesses related to expressways. Currently, the Group mainly owns all or substantially all interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suiguang Expressway, Suixi Expressway and Tianqiong Expressway under construction. As at 31 December 2021, the toll length of expressways completed by the Group has reached approximately 744km in total and the length of the expressways under construction has reached approximately 42km. The Group's total asset and net asset were approximately RMB40,647,497,000 and RMB18,448,461,000 respectively.

For the year ended 31 December 2021, the total number of share capital of the Company is 3,058,060,000 Shares (including 895,320,000 H Shares and 2,162,740,000 A Shares), the shareholders and asset structure of the Company are as follows:

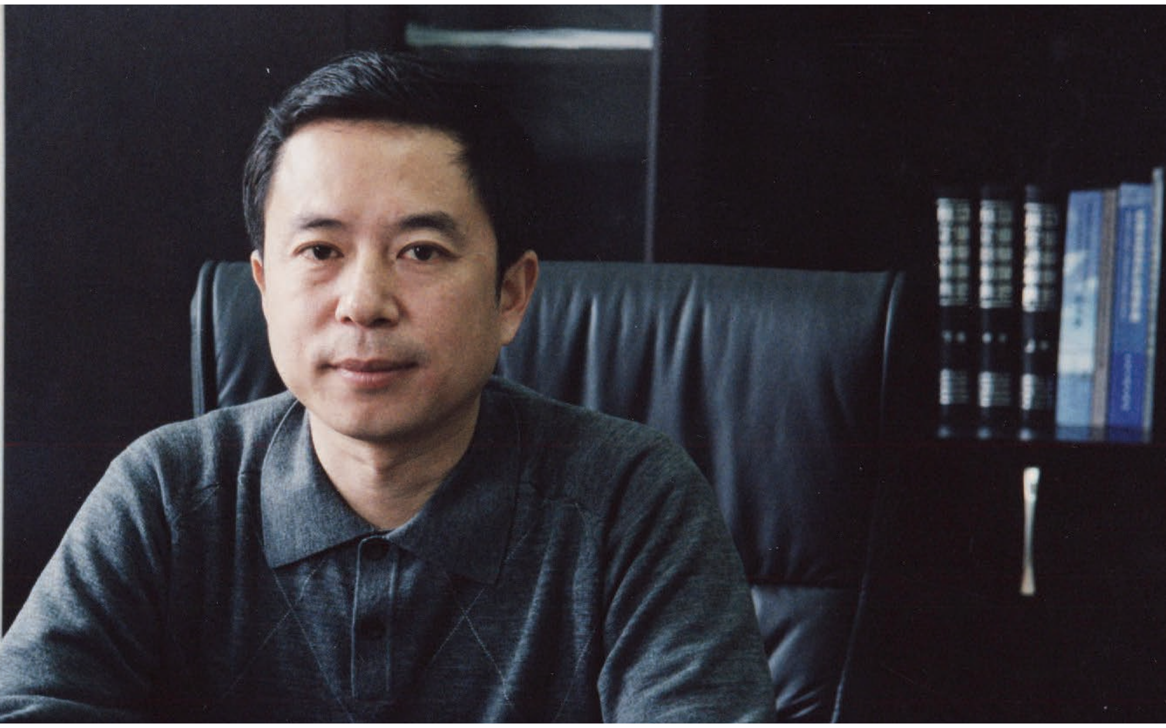


Note:

(1) Cornerstone Holdings Limited, holding equity interests, is a wholly-owned subsidiary of China Merchant Expressway Company, which is therefore deemed to be interested in the H shares held by Cornerstone Holdings Limited under the SFO.

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

CHAIRMAN'S STATEMENT



Gan Yongyi
Chairman

I would like to report on behalf of the Board of Directors to the Shareholders. In 2021, in the face of the complex and severe external environment and the impact of the COVID-19 pandemic, the Group worked hard and bravely, implemented various strategic plans, adhered to both development and reform, focused on the main responsibility and main business, emphasized management improvement, achieving a good start of the"14th Five-Year Plan".

RESULTS AND DIVIDENDS

In 2021, the Group's profit attributable to the owners of the Company was approximately RMB1,870,856,000, representing a year-on-year decrease of 177.24%. Basic earnings per share were approximately RMB0.612 (2020: approximately RMB0.221). In accordance with the provisions in the Articles of Association, if the Company distributes cash dividend, the sum of such cash dividend shall not be less than 30% of the profit available for distribution to the Shareholders recorded by the Company for the period concerned (the lower of the profit available for distribution to the Shareholders under PRC accounting standards and that under foreign accounting standards). To reward and thank the Shareholders for their continued support to the Group, the Board has recommended a final cash dividend for the year 2021 of RMB0.11 per share (tax inclusive), aggregating to approximately RMB336,387,000, representing 39.63% of the profit available for distribution to the Shareholders recorded by the Company for the year in accordance with the PRC accounting standards and 18.00% of the profit attributable to the owners of the Company (calculated under the PRC accounting standards) as shown in the consolidated financial statements of the Company. The proposed dividend is subject to approval at the forthcoming 2021 Annual General Meeting of the Company.

REVIEW

The macro economy continued to recover under pressure. In 2021, China's economy continued to recover, taking a new step forward in building a new development pattern, achieving new results in high-quality development and reaching a new level in development. In terms of total economic volume, China's gross domestic product (GDP) reached RMB114.4 trillion, representing an increase of 8.1%, which at the annual average exchange rate was converted to USD17.7 trillion, accounting for over 18% of the world economy. In terms of economic structure, the development coordination has been steadily improved, innovation vitality has been continuously released, industrial development resilience has been demonstrated, and the service industry has gradually recovered. In 2021, the service industry's contribution to economic growth reached 54.9%[1]. Sichuan Province fully implemented national decisions and arrangements, coordinated pandemic prevention and control as well as economic and social development, and solidly carried out the work of "six stabilities" and "six guarantees". It stabilized agriculture, strengthened industry, promoted consumption, expanded domestic demand, grasped projects, focused on innovation, smoothed circulation and improved quality, thus stabilizing the overall social situation. The province's GDP reached RMB5 trillion, representing an increase of 8.2%, and the per capita disposable income of urban and rural residents increased by 8.3% and 10.3%[2], respectively.

1 Source: Chinese Government Website

2 Source: Sichuan Provincial People's Government Website

3 Source: Ministry of Transport of China Website

The transportation industry is at the forefront of the industry. In 2021, China achieved high-quality development in transportation and accelerated the construction of a strong transportation country. The fixed asset investment in transportation throughout the year amounted to approximately RMB3.6 trillion, representing an increase of 4% as compared with the same period of last year[2]. The transportation industry actively played the role of increase of 4% as compared with tof important materials, ensuring smooth logistics supply, helping enterprises solve difficulties, safe production, epidemic prevention and control, etc., and made its contributions to maintain a reasonable range of economic operations and social stability. In 2021, the central government designated Chengdu-Chongqing Economic Circle as one of the"Four Poles" of transportation in China, opening a new chapter for the development of transportation in Sichuan. The transportation industry in Sichuan seized the strategic opportunities, strived to promote the construction of a strong transportation province, and promoted the transformation of Sichuan from a comprehensive transportation hub in western China to an international comprehensive transportation hub cluster. The investment in highway and waterway construction for the year exceeded two hundred billion yuan, exceeding one hundred billion yuan for 11 consecutive years, hitting a record high. Through continuous improvement of service guarantee and reform and innovation capabilities, organic connection with rural revitalization, consolidation and expansion of the results of poverty alleviation through transportation, the industry continued to be stable, safe and harmonious.

Strived to make progress while maintaining stability and forged ahead with opening and innovation. 2021 is the first year of the"14th Five-Year Plan". In the new journey, the Company withstood the pressure of the pandemic, effectively responded to the severe challenges such as diversion of road network and expansion of road network, and solidly carried out the work of operation and management, project promotion, financial operation, governance reform, risk prevention and control, and fully completed various objectives and tasks. The high-quality development was strengthened steadily and the quality was improved steadily.

Continued to strengthen its operation and management with stable and improved performance. Solid focus on the main responsibility and main business: The Company independently developed the cloud control integrated platform, the smart Chengyu APP, and the automatic inspection software of the toll electromechanical system, refined maintenance management of expressway, greatly improving the operation and maintenance efficiency. The excellent road rate of the road sections under its management reached 100%, and the service quality evaluation has long been in the middle and superior of the province, with Chengren Expressway ranking first for five consecutive years. The Company continued to strengthen emergency response capabilities, improve response and rescue speed, continue to improve traffic organization, reduce the frequency of road closure, and attract traffic to avoid toll evasion, so as to increase revenue and create benefits. Integration and development-related diversification: reorganized and established Chengyu Transportation Technology Company, established an operational technology innovation center to accelerate independent research and development and project cooperation. Expanded outlets, services and the operation scale of service areas. The consumption management of the whole process of energy sales was continuously optimized, the gross profit per ton of retail oil continued to increase, the new energy business was accelerated, and the LNG projects in Xinjin and Meishan service areas were put into operation. The Company steadily promoted the development of the road business with the payment of Ziyang and Renshou projects on schedule, implemented the Dachuan Tourism Highway project, and launched a new cooperation model. With financial leasing focusing on the infrastructure field, we explored the innovation, and practiced the market-oriented operation.

Promoted the investment and construction of projects at full speed and continuously consolidated the development foundation. We performed the approval procedures for the entry-exit section in a standardized manner in respect of the expansion project of Chengle Expressway, and successfully signed the PPP contract. The original road expansion section of Chengle Expressway was completed and opened to traffic, and the construction drawing design of the entry-exit section was approved and the construction bidding was completed. We successfully signed the general contracting agreement in respect of Tianqiong Expressway Project, obtained the approval of the construction drawing design, accelerated the construction of controlling projects, and the land group reporting hit the fastest pace in the province during the same period. As to Suiguang Expressway and Suixi Expressway, we has completed the inspection and acceptance of water protection and files, and completed the inspection. The completion audit was carried out in an orderly manner and the official toll collection approval was obtained. We successfully obtained the allocated land title to 265 mu of Phase II of Chengren Yongxing Service Area, saving the operating land premium. The Zone C of Xinjin Li Hua Super Theme Service Area of Chengya Expressway was put into use, and the Zone A and Zone B were well-designed to form a preliminary plan. The Company has carried out preliminary research on the reserved projects, actively integrating into the national and provincial development strategies, focused on the construction of expressway network in Chengdu metropolitan area, strived for favorable conditions, and continued to consolidate and expand the Company's core business scale.

Comprehensively deepened capital management and improved the quality and efficiency of financial operation. The Company continued to improve its financial management and balanced management and control, and obtained the highest credit rating of AAA for the six consecutive years. The controllable costs such as maintenance costs and public expenses were significantly reduced. The financial expenses decreased year-on-year. As a result, the interest rate reduction of the Suiguang and Suixi Syndicated Loan was successfully delayed. The Company deepened cooperation with banks and enterprises, explored internal and external potential, raised financing and gave full play to the supporting role of financial analysis. The Company reserved more than 40 banks with comprehensive credit of approximately RMB67,805,000,000, and newly raised financing of approximately RMB7,304,000,000. The Company successfully formed a consortium for the expansion of Chengle urban section, and the loan was estimated as compared with the bank's benchmark interest rate, saving interest of approximately RMB1,136,000,000.

Coordinated and promoted governance reform and stimulated vitality through innovation. Focusing on the reconstruction of functional platform, industrial pattern and system and mechanism, the Company promoted the reform of incentives and constraints, personnel selection and employment, legal governance and internal organization. One enterprise, one policy, classified incentives, precise assessment, bold innovation and pilot; Increased internal competition, comprehensively realized the term system and contractual management of leading cadres; Continuously improved the rules of procedure of the three boards and the senior management to improve the efficiency of decision-making; The Company actively responded to the market, promoted professional integration, and built a new integrated operation model in multiple fields.

Effectively controlled risk attacks with increasingly strong defense. The Company strived to prevent and resolve risks in key areas, added control measures for new businesses and new links, and built a multi-level and multi-subject internal control system. The Company strengthened production safety and ecological and environmental protection, continued to improve emergency plans, and further promoted special rectification, so as to achieve full coverage of the second level of enterprise production safety standardization. The Company continued to carry out normalized epidemic prevention and control, actively carried out joint prevention and control, strengthened publicity and emergency supply guarantee. The Company performed its continuing responsibilities as a listed company in a standardized and efficient manner, and was awarded the highest level of A rating in information disclosure by the SSE for nine consecutive years.

PROSPECTS AND STRATEGIES

The year of 2022 will be an extraordinary year to withstand pressure and overcome difficulties to achieve stable and long-term development.

In terms of the macroeconomic environment, the global pandemic is still ongoing, the momentum of global economic recovery is insufficient, commodity prices fluctuate at a high level, and the external environment becomes more complex, severe and uncertain. China's economic development is under the three major pressures of shrinking demand, supply shock and expected weakening. Some epidemic cases occurred in some areas, consumption and investment recovery is slow, and it is more difficult to stabilize exports. The supply of energy raw materials is still tight. The production and operation of small and medium-sized enterprises and individual business proprietors are difficult. The innovation support capacity in key areas is not strong, and there are more hidden risks in the economic and financial fields. However, the long-term positive fundamentals of China's economy will not change, and there are many favorable conditions for sustainable development. The macro policies will continue to be stable and effective. Micro policies will continue to stimulate the vitality of market entities. Structural policies will focus on smoothing the circulation of national economy, scientific and technological policies will be solidly implemented, reform and opening-up policies will activate the development momentum, regional policies will enhance the balance and coordination of development, social policies will lay a solid foundation for people's livelihood, and all aspects will focus on objectives to form a joint force for promoting development.

In terms of the regional economy, Sichuan Province will adhere to the general principle of seeking progress while maintaining stability, fully, accurately and comprehensively implement the new development concept, actively integrate into and serve the new development pattern, adhere to the supply-side structural reform as the main line, comprehensively deepen reform and opening-up, adhere to innovation-driven development, promote high-quality development, accelerate the construction of the Chengdu-Chongqing dual-city economic circle, deeply implement the strategic deployment of "one trunk

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[4] "One trunk with multiple branches, synergic development of five districts": "one trunk" refers to supporting to accelerate the construction of Chengdu into a national central city that fully embodies the new development concept, and giving full play to its leading and radiating role; "multiple branches" refers to creating distinctive regional economic sectors, promoting the competitive development of the economic circle surrounding Chengdu, the South Sichuan Economic Zone, the Northeast Sichuan Economic Zone and the West Panzhihua Economic Zone, and forming a situation in which the regional development of Sichuan is supported by multiple fulcrums; "synergic development of five districts" refers to strengthening overall planning to promote the synergic development of the Chengdu Plain Economic Zone (including Chengdu and the economic circle surrounding Chengdu), the South Sichuan Economic Zone, the Northeast Sichuan Economic Zone, the West Panzhihua Economic Zone and the Northwest Sichuan Ecological Demonstration Zone, the synergic development of Chengdu and the economic circle surrounding Chengdu, the synergic development of the "three prefectures" and the mainland, and the synergic development of cities (prefectures) in the region.

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

with multiple branches, synergic development of five districts[2]" and "expansion from four sides, opening to all fields[5]", coordinate the epidemic prevention and control and economic and social development, coordinate development and security, continue to maintain "six stabilities" and "six guarantees", continue to improve people's livelihood, maintain reasonable economic growth, maintain overall social stability, and strive to promote the governance of Sichuan to a new level in the new era.

In terms of the prospect for industry development, in 2022, the transportation industry will adhere to the guidance of planning, and implement the work objectives set out in the "Two Outlines" (a Country with Powerful Transportation Capability (《交通強國建設綱要》) and the Outline of the Plan for the National Comprehensive Three-dimensional Transportation Network (《國家綜合立體交通網規劃綱要》) into various plans, so as to build China's strength in transportation step by step with stable and long-term development; Adhere to pilot first, encourage bold reforms, innovate, accelerate construction, promote pilot, and accumulate good experience to comprehensively accelerate the construction of a strong transportation country; Adhere to the key direction, implement the "6 axis, 7 corridors and 8 channels" in the "Outline of the Plan for the National Comprehensive Three-dimensional Transportation Network", improve the comprehensive channel, build the hub system, and promote the integrated development of various methods; Adhere to improving the governance system, continuously deepen the industry reform, expand open cooperation, optimize the business environment, cultivate the traffic civilization, and issue an evaluation index system to ensure the construction of a country with strong transportation is implemented; We will strengthen and improve our services, build satisfactory transportation for the people, spare no effort to serve the people, and strive to achieve the goal of enjoying their own travel and achieving smooth traffic. In the future, the transportation industry in Sichuan Province will adhere to the principle of maintaining stability and seeking progress while maintaining stability, strive to seize opportunities and focus on key areas, stabilize investment and make up for shortcomings, promote reform, optimize services, ensure stability and improve quality and efficiency, accelerate the construction of a country with strong transportation, focus on ensuring the safety and stability of the industry, maintain a high level of project investment and steady progress, deepen the pilot promotion of a country with strong transportation, serve the construction of the Chengdu-Chongqing economic circle, strengthen the urban and rural transportation infrastructure, improve the quality and efficiency of transportation service supply, adhere to the reform and activate the industry momentum, and promote green transformation and the construction of low-carbon transportation.

In terms of the Company's development, as the only A+H share listed company in expressway infrastructure construction in Sichuan Province, the Company has a significant influence and also plays an important role in the investment, construction and operation of expressways in Sichuan. By virtue of its high-quality road assets and strong operation capability, the Company enjoys a strong position in the regional market. However, at the same time, there are a series of key challenges in business development such as the need to expand the scale of the industry, the need to accelerate the growth rate, and the need to improve the incentive mechanism. In 2022, we will adhere to the two-wheel drive of technology and green development, actively seize development opportunities, adhere to the direction of market-oriented reform, lead high-quality development with industrial innovation and management innovation, focus on yields creation, accelerate project implementation, focus on efficiency improvement, strengthen structural adjustment, and strive to achieve greater breakthroughs in the improvement of comprehensive competitiveness.

Firstly, we will maintain quality and quantity to achieve new progress in the expansion of our principal business. The Company will coordinate and promote the expressway projects to be invested in and under construction, actively integrate into the national and provincial transportation development strategies, steadily supplement high-quality road assets, adhere to the integrated cost control of "investment, financing, construction, management, maintenance and operation", and adhere to the main business and core business position of expressways. Secondly, the Company will expand the chain and capacity, and extend to relevant diversified new places. The Company will transform the front-end resource chain into the back-end value chain. Relying on the transportation network and portal hub, the Company will strengthen and expand the road economy, refine and specialize in technology business, explore the industrial layout of green and low-carbon advantages around the "dual-carbon" goal, increase the investment in the industrial chain of the industry, and form an efficient entry and exit mechanism with circular value added. Thirdly, improve quality and efficiency, and create new achievements in operation and management. Further improve the operation level, enhance the profitability, improve the level of systematization and intensification, enhance the strength of intelligent management and maintenance and scientific and technological inspection, and improve the ability of technical efficiency; Adhere to the integration of business and finance, strengthen comprehensive budgeting, analysis, control and support functions, and improve financial efficiency; We will introduce and cultivate talents in short supply at all levels, optimize the talent structure and improve the ability of talents to create benefits. Fourthly, we will build a solid foundation for risk prevention and control in multiple areas. We will implement risk prevention and control and safe development throughout the entire operation process, scientifically and intensively control the key points of compliance, internal control and internal audit, and maintain the bottom line of stable operation and investment; Strengthen the emergency system and ecological civilization construction, and hold the red line of safety and environmental protection; Normalize precise prevention and control, implement joint prevention and control, and build the defense line of fighting against the epidemic.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity to express my heartfelt gratitude to all investors, clients, business partners and the public for their support and trust, and my sincere appreciation to our Directors, Supervisors, management and staff for their hard work over the past year.

Gan Yongyi
Chairman

Chengdu, Sichuan Province, the PRC
30 March 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Li Wenhu
Vice Chairman and General Manager

I BUSINESS REVIEW AND ANALYSIS

(i) Results overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and carries out diversified operations which are highly relevant to our principal business. In 2021, the Group closely focused on the targets and tasks for the year. Despite the pressure brought about by the COVID-19 pandemic and flood season, the Group adhered to the concept of constructing roads and managing roads well, actively responded to the severe challenges such as road network diversions and suspension of access for expansions, spared no effort to launch income source-increase and cost-saving actions, strictly controlled the costs of "investment, financing, construction, management and maintenance, accelerated speed, increased profits, strengthened protection, accelerated the construction of key projects, vigorously promoted resource integration, disposed of real estate business, preliminarily developed technology segment, and realized a good start to the "14th Five-Year" plan.

The net revenue of the Group amounted to approximately RMB8,830,296,000 this year, representing an increase of approximately 7.70% year-on-year. In particular, the toll roads and bridges segment achieved net income of approximately RMB3,465,849,000, representing a year-on-year increase of approximately 15.23%; the financial investment segment achieved net income of approximately RMB199,177,000, representing a year-on-year increase of approximately 6.69%; the city operation segment achieved net income of approximately RMB3,376,423,000, representing a year-on-year decrease of approximately 4.76%; the energy investment segment achieved net income of approximately RMB1,788,847,000, representing a year-on-year increase of approximately 22.60%. The profit attributable to the owners of the Company was approximately RMB1,870,856,000, representing an increase of 177.24% year-on-year. Basic earnings per Share were approximately RMB0.612 (2020: approximately RMB0.221). As at 31 December 2021, the Group's total assets amounted to approximately RMB40,647,497,000 and net assets amounted to approximately RMB18,448,461,000.

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

	Income for 2021 (after deduction of turnover tax) *(RMB '000)*	Year-on-year increase/ (decrease) in income for 2021 *(%)*	Profit/(loss) for 2021 *(RMB '000)*	Year-on-year increase/ (decrease) in profit/(loss) for 2021 *(%)*
Chengyu Branch *(Note 1, 2)*	754,934	9.07	238,570	14.32
Chengya Branch *(Note 1, 2)*	1,026,276	28.75	488,063	66.50
Chengren Branch *(Note 1, 2)*	869,719	12.91	328,110	33.36
Chengle Branch *(Note 3)*	332,318	(12.13)	115,271	(23.80)
Chengbei Branch *(Note 4)*	122,244	40.28	54,303	64.31
Suiguang-Suixi Company *(Note 5)*	360,358	27.43	(359,146)	(7.25)
Shunan Company *(Note 6)*	–	(100.00)	(49,410)	0.41
Renshou Shunan Company *(Note 7)*	(1,570)	(164.84)	13,476	(70.32)
Shunan Chengxing Company *(Note 8)*	3,375	(67.67)	32,090	(18.34)
Lushan Shuhan Company *(Note 9)*	96,155	N/A	7,184	N/A
Lushan Shunan Company	7,296	N/A	701	N/A
Shuhong Company *(Note 10)*	7,884	(65.22)	2,334	124.17
Shuxia Company *(Note 11)*	106,748	82.45	26,542	117.04
Chengyu Advertising Company *(Note 12)*	4,046	48.05	(2,183)	72.98
Chengyu Logistics Company	-	N/A	-	N/A
Multimodal Transport Company *(Note 13)*	36,611	(11.87)	1,474	(90.27)
Commercial Factoring Company *(Note 14)*	936	(94.69)	(1,284)	(97.09)
Shuhai Company *(Note 15)*	–	N/A	(6,340)	35.64
Chengya Oil Company *(Note 16)*	705,360	40.24	49,459	2.66
Zhonglu Energy Company	1,086,004	13.29	51,391	24.90
Renshou Landmark Company *(Note 17)*	618,587	33.67	29,661	202.94
Chengyu Financial Leasing Company *(Note 18)*	198,464	17.25	20,373	(59.63)
Chengyu Technology Company	25	N/A	2,378	1.41

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

Note 2: Chengyu Branch, Chengya Branch and Chengren Branch recorded an increase of 9.07%, 28.75% and 12.91%, respectively, in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded an increase of 14.32%, 66.50% and 33.36%, respectively, in the profit for the year as compared with that of last year, which was mainly due to: the toll-free policy for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to the Notice on the Extension of the Toll Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020年春節假期小型客車通行費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport due to the impact of the COVID-19 pandemic during the previous year; according to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic issued by the Ministry of Transport (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), all vehicles passing toll roads according to law are exempt from tolls from 00:00 on 17 February 2020 to 24:00 on 5 May 2020. During the year, toll collection of toll roads resumed. The income and profit of Chengyu Branch, Chengya Branch and Chengren Branch increased as compared with the previous year. However, as Chengyu Expressway and Chengren Expressway were affected by the diversion of traffic flow by neighbouring expressways, toll revenue and profits did not increase as much as those of Chengya Branch.

Note 3: Chengle Expressway recorded a decrease of RMB45,889,000 or 12.13% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, mainly due to the decrease in toll income and profit of Chengle Expressway resulting from the impact of half-width closure due to the need for construction.

Note 4: Chengbei Expressway recorded an increase of RMB35,102,000 or 40.28% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year and an increase in profit of RMB21,254,000 or 64.31% over the previous year, mainly due to the impact of the COVID-19 pandemic during the previous year, however, during the year, the toll collection of the toll roads resumed.

Note 5: Suiguang-Suixi Company recorded an increase of RMB77,562,000 or 27.43% in the toll income (after deduction of turnover taxes), and a decrease of RMB28,074,000 in the losses for the year as compared with that of last year, mainly due to the impact of the COVID-19 pandemic during the previous year, however, during the year, the toll collection of the toll roads resumed, and the toll income was partially offset by the amortization for service concession arrangements and the increase in repair and maintenance costs.

Note 6: Shunan Company did not recognize the income of relevant output value of the projects due to the progress of settlement.

Note 7: Renshou Shunan Company reduced income by RMB1,570,000 due to the reduction in work amount after audit.

Note 8: Shunan Chengxing Company recorded a decrease of 67.67% in the income for the year as compared with that of last year, which was mainly due to the decrease in the income for the current period as most of the projects had been completed for auditing and the output value recorded a decrease.

Note 9: Lushan Shuhan Company recorded an income of RMB96,155,000 and a profit of RMB7,184,000 for the year, mainly due to the recognition of the income and profit of construction contracts of the tourist highway project in the Dachuanhe scenic spot in Lushan County.

Note 10: Shuhong Company recorded a profit of RMB2,334,000 for the year, representing a decrease in loss of RMB11,990,000 as compared with that of last year, which was mainly due to the recognition of other income and earnings resulting from the disposal of Hongrui International Plaza.

Note 11: Shuxia Company recorded an increase of RMB48,239,000 or 82.45% in income for the year as compared with that of the previous year and an increase of RMB14,313,000 or 117.04% in profit for the year as compared with that of the previous year, mainly due to the consolidation of service areas and business expansion during the year, leading to a year-on-year increase in income and profit.

Note 12: Chengyu Advertising Company recorded an increase of 48.05% in the income for the year as compared with that of last year, and an increase of 72.98% in the loss as compared with that of last year, which was mainly due to the increase in advertising release income, however, due to the removal of part of high-quality media facilities in last year, during the year, the increase in the cost of leasing media led to the increase in losses.

Note13: Multimodal Transport Company recorded a decrease of 90.27% in the profit for the year as compared with that of last year, mainly due to the decrease in the income from commercial trade business, plus a decrease in the profit for the year as a result of the reversal of expected credit losses during the previous year, however, there was no such reversal during the year.

Note 14: Commercial Factoring Company recorded a decrease of 94.69% in the income for the year and a decrease of 97.09% in losses as compare with last year, mainly due to the significant shrink in the scale of factoring business during the year, however, as a result of the provision for the expected credit losses during last year but no such provision in the year, the losses for the year decreased.

Note 15: Shuhai Company recorded an increase of RMB1,666,000 in the losses for the year as compared with that of last year, mainly due to the increase in staff costs in the year, as compared with preferential social insurance premiums amid the COVID-19 pandemic in the previous year.

Note 16: Chengya Oil Company recorded an increase of RMB202,385,000 or 40.24% in the income for the year as compared with that of the previous year, mainly due to the year-on-year increase in the selling price of refined oil products as a result of the influence of macro-control of oil prices during the year and the year-on-year increase in the sales volume of refined oil products during the year.

Note 17: Renshou Landmark Company recorded an increase of 33.67% in the sales income for the year and an increase of RMB19,870,000 in the profit for the year due to the increase in the delivery of residential units of Land A of Beichengshidai (Phase II) during the year.

Note 18: Chengyu Financial Leasing Company recorded a decrease of RMB30,097,000 or 59.63% in the profit for the year as compared with that of last year, mainly due to the provision for the expected credit losses during the year.

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

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

		Average daily traffic flow (vehicles)			Toll income (before revenue taxes) *(RMB'000)*		
Item	**Shareholding percentage** *(%)*	**2021**	**2020**	**Increase/ (decrease)** *(%)*	**2021**	**2020**	**Increase/ (decrease)** *(%)*
Chengyu Expressway	100	**19,946**	25,427	(21.56)	**761,051**	695,071	9.49
Chengya Expressway	100	**45,113**	50,274	(10.27)	**1,031,646**	800,341	28.90
Chengren Expressway	100	**37,221**	46,244	(19.51)	**876,419**	773,533	13.30
Chengle Expressway	100	**20,773**	31,242	(33.51)	**336,361**	380,452	(11.59)
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	**70,416**	58,869	19.61	**122,891**	87,664	40.18
Suiguang Expressway	100	**10,742**	6,719	59.87	**213,903**	180,743	18.35
Suixi Expressway	100	**9,503**	3,030	213.63	**149,717**	103,213	45.06

Notes:

1. The average daily traffic flow of expressways owned by the Group for the year was based on the traffic flow of main line toll gantries, whereas the average daily traffic flow of expressways in 2020 was based on the traffic flow of both toll stations and main line toll gantries. The calculation of the average daily traffic flow in 2020 excluded the traffic flow during the toll-free period amid the outbreak of COVID-19, and included only the traffic flow from 6 May 2020 to 31 December 2020.

2. Due to the outbreak of COVID-19 in the first half of 2020, during the period from 0: 00 on 17 February 2020 to 0: 00 on 6 May 2020, the policy of the Ministry of Transport on toll free was implemented, which resulted in a lower toll revenue in 2020.

In 2021, the toll income (before deduction of turnover taxes) of the Group was approximately RMB3,491,988,000, representing an increase of approximately 15.59% as compared with last year. The percentage of the toll income to the Group's operating revenue from main business (after deduction of turnover taxes) was approximately 39.25%, representing an increase of approximately 2.56% when compared with 36.69% last year. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's business of expressways:

(1) Economic factors

In 2021, central and local governments coordinated the pandemic prevention and control as well as the economic and social development with scientific policies and deployment, so that the stability of economic operation resumed. The policy of expanding domestic demand and promoting consumption continued to release demand of consumption, and the scale of consumption and investment in China continued to expand, supporting the steady recovery of the national economy. China's gross domestic product (GDP) for 2021 was RMB114,367 billion, representing a year-on-year increase of 8.1% at constant prices and the value added of transportation, warehousing and postal services increased by 12.1%[1] year-on-year. As the works of routine pandemic prevention and control as well as the economic and social development in Sichuan Province were coordinated and advanced, the provincial economic recovery momentum was further consolidated. In 2021, Sichuan Province achieved a regional GDP of RMB5,385,079 million, representing an increase of 8.2%[2] as compared to last year at comparable prices. The economy, which continued to recover, has driven the resumption of transportation economy. The traffic flow on toll expressways under the Group has basically recovered to normal level.

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

(2) Policy factors

In order to prevent the spread of the COVID-19 pandemic caused by the movement of people, the General Office of the CPC Central Committee and the General Office of the State Council issued the "Circular on Ensuring Services and Supplies to People Staying Local for the Spring Festival" on 25 January 2021, calling for residents to stay at their current residing localities for the Spring Festival and avoid traveling unless necessary. Compared with previous Spring Festival travel rush periods, the Group's expressways saw decreases in both traffic flow and toll revenue to a certain extent during the Spring Festival travel rush season this year.

(3) Regional development factors

The construction of Chengdu-Chongqing economic circle in Chengdu-Chongqing region, "Chengdu-Deyang-Meishan-Ziyang" integrated urban development deployment in Sichuan Province and "advance the east, expand the south" strategy and "four towns and one park" development in Chengdu drove the local economic development and promoted the growth of the traffic flow of expressways such as Chengyu Expressway and Chengren Expressway. The infrastructure in the Tianfu New District has gradually established well and the construction of Xinglong Lake has developed rapidly, the mobile population in such area has been increasing, which has promoted the growth in traffic flow of Chengren Expressway, especially in the growth of truck flow. Meanwhile, the construction of Tianfu New District, Shigao Economic Development Zone and Huantianfu New District Expressway Route along the Chengren Expressway has also brought certain truck flow; the rich tourism resources in Sichuan Province drive Suiguang-Suixi, Chengya Expressways to keep high increase in truck flow.

(4) Factors in road network changes and road construction

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

Chengyu Expressway: According to the Notice on Standardizing the Toll Collection for the Initial Sections of Expressways Around the City" (Sichuan Jiao Han [2020] No. 203) (《關於規範城市周邊高速公路起始路段收費工作的通知》(川交函[2020]203號)), the toll of the expressways should be charged by the method of the shortest sharing mileage. The cleanup and standardization work for Chengyu Expressway was completed in 2020, and the toll mileage was shortened by 2.75 kilometers (km). According to the Reply on Approval of Adjustment to Toll Charge Mileage and Charge Section of Chengyu Expressway (Sichuan Jiao Han [2020] No. 583) (《關於成渝高速公路調整收費里程及收費區間的批覆》(川交函[2020]583號)) issued by the Department of Transportation of Sichuan Province and the Development and Reform Commission of Sichuan Province, the section from the original start point of Chengyu Expressway to the 19 km of Longquan Section would no longer set toll station and the toll charge mileage would be adjusted after the official opening of the new toll station. As of 1 February 2021, the toll station on the new main line of Chengdu-Longquan of Chengyu Expressway was officially opened and the toll charge mileage of Chengyu Expressway was adjusted from 226 km to 207 km. The tolls in respect of the reduced 19 km of the expressway will be paid by Chengdu Municipal Government by way of service purchase in the amount of RMB40 million per annum for the period commencing at 00:00 on the day on which the toll station on the main line in Chengdu is completed and put into operation and ending on the expiry date of the approval for toll charge for the section from the starting point of Chengdu-Chongqing Expressway to 19 km of Longquan Section. In addition, as a result of the construction of the "east-west thoroughfare" project in Chengdu, the traffic volume of related sections was decreased. Chengziyu Expressway was officially opened on 31 December 2020, and it was toll-free (except that the Chengdu Tianfu International Airport-Tongnan (Sichuan-Chongqing Boundary) section was toll-free before 9 July 2021, and Chengdu Tianfu International Airport expressway south line was toll-free since 14 October), which had a certain impact on the traffic volume and toll income of Chengyu Expressway.

Chengle Expressway: The on-going construction of renovation and expansion project of Chengle Expressway had certain adverse effects on the traffic volume and toll income of Chengle Expressway.

Chengya Expressway: The long-term construction of expansion project of Chengle Expressway had certain adverse effects on the traffic volume of Chengya Expressway. After 22 months of closure for construction works, the entrance and exit of Ya'an East Station of Chengya Expressway were opened on February 2021, respectively, and resumed normal operation, which boosted the volume of vehicles passing through the Ya'an station of Chengya Expressway.

Chengren Expressway: Chengyi Expressway, which was officially opened on 31 December 2020 and is toll-free, and the connecting between the expressway connecting line of Chengdu Tianfu International Airport and Chengren Expressway, had certain adverse impact on Chengren Expressway in respect of toll income. The construction of an underpass tunnel at the traffic lights intersection at Shisheng Road, at Third Ring Road at the entrance to the city from Chengdu Station, the construction of new buildings at Panjiagou in the vicinity and the construction of a new economic headquarters function area in Bailu Bay have led to an increase in the volume of trucks passing along the adjacent toll station of Chengren Expressway.

Suixi Expressway: from July to October 2021, the road, in the direction of way out of Sichuan, section from Luojiagou hub at Guangyuan-Gansu section of G75 Lanzhou-Haikou Expressway to the Sichuan and Gansu border was in half-width closure for construction, which had certain adverse impact on the traffic flow travelling to Qingchuan, Jiuzhaigou, Gansu by Suixi Expressway and Lanzhou-Haikou Expressway. In August, the section from Pengxi County Town at Provincial Highway 413 to Fubei interchange at Suixi Expressway, a first-class highway, was opened to traffic, linking Pengxi County with northward hub, which was conducive to the growth of traffic flow of Suixi Expressway.

In addition, in 2021, the flood season was characterized by frequent heavy rainfall and other extreme weather and frequent traffic controls in Sichuan, and in July and November, the COVID-19 pandemic re-outbroke twice in the province, which had an adverse impact on the traffic volume of both passenger and freight vehicles throughout the year.

(iii) Major financing and investment projects of the Group

(1) Chengle Expressway Expansion Construction Project

The proposal in respect of investment in the expansion construction of Chengle Expressway and relevant matters was considered and approved at the extraordinary general meeting of the Company held on 30 October 2017. According to the reply on approval of the project from the Sichuan Provincial Development and Reform Commission, the total mileage of the project was 138.41km. The project's estimated total investment was approximately RMB23.133 billion. According to the opinion on approval of the project from the Ministry of Transport, the total mileage of the project was 130 km, and the estimated total investment was approximately RMB22.16 billion. After the completion of the project, it will help ease the traffic pressure on Chengle Expressway, and improve the overall traffic capacity and service level of Chengle Expressway. On 27 November 2019, the established tasks for the pilot section in Chengle Expressway expansion and construction project (from Meishan to Qinglong) were completed and the pilot section was opened to two-way traffic. On 18 December 2019, the new Qinglong Toll Station of Chengle Expressway officially opened to traffic. On 2 August 2021, in order to standardize the approval procedures of PPP projects' inclusion and reclassification in the database, Chengdu Transportation Bureau has entered into the Investment Agreement for the Expansion Construction Project of Chengdu-Leshan Expressway and the Public-Private-Partnership (PPP) Project Contract for the Expansion Construction Project of Chengdu-Leshan Expressway with Chengle Company. On 27 January 2022, Meishan to Leshan section totalling 81 kilometers achieved two-way eight-lanes traffic. From the commencement date of construction to 31 December 2021, an accumulated investment of approximately RMB7.292 billion had been invested in the Chengle Expansion Construction Project.

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

On 30 January 2013, the general manager's office meeting of the Company considered and approved the proposal in relation to bidding for the land use rights of 3 parcels of state-owned construction land at Chengbei New City, Renshou County, Meishan City, Sichuan Province to invest and develop real estate project. On 22 February 2013, the Company won the bid for the land use rights of the land lot with a site area of 235,558.10 square meters, and the transaction price was RMB920,160,000. In May of the same year, Renshou Landmark Company was established to fully take charge of the development and construction of Renshou County Chengbei New City Real Estate Project. On 15 May 2014, Renshou Landmark Company once again won the bid and acquired the land use rights of 5 parcels of state-owned construction land at Chengbei New City with an aggregate site area of 194,810.52 square meters at the consideration of RMB787,100,000.

On 16 August 2021, the Company entered into the equity and corresponding shareholder's loan transfer agreement with Trading Property Company pursuant to which, the Company would sell the 91% equity interest in Renshou Landmark Company and the corresponding shareholder's loan to Trading Property Company at an aggregate consideration of not exceeding RMB1,858.1308 million (including interest accrued on the loan), which aimed to dispose of the real estate business which has relatively low profit margin, long investment cycle and requires relatively substantial investment amount, so as to allow the Group to optimise its asset structure, focus on its core and principal business and improve its resources utilisation efficiency.

The transfer of the equity and shareholder's loan has been considered and approved at the 14th meeting of the 7th session of Board of Directors and 2021 second extraordinary general meeting of the Company. On 26 November 2021, Renshou Landmark Company completed the registration of changes with industrial and commercial administration. Upon completion of transfer of the equity and shareholder's loan, the Company will no longer hold any equity interest and creditor's rights of Renshou Landmark Company, and the financial results of Renshou Landmark Company was deconsolidated from the Company since 1 December 2021. As at 30 November 2021, the accumulated sales revenue from phase one amounted to RMB536.0213 million; from 1 January 2021 to 30 November 2021, the sales proceeds received from the Parcel A and C of phase two amounted to approximately RMB156 million, and the sales revenue recognized from Parcel A amounted to approximately RMB665 million.

(3) Tianqiong Expressway BOT Project

On 30 October 2019, the resolution in relation to the investment in the project of Chengdu Tianfu New Area to Qionglai Expressway was considered and approved by the Board of the Company. The consortium established by the Company and Road & Bridge International participated in bidding for the project of Tianfu New Area to Qionglai Expressway and won the tender. The total length of the project is approximately 42 kilometers with an estimated total investment amount of approximately RMB8.685 billion.

On 4 March 2020, Chengqiongya Company was incorporated in Qionglai of Sichuan Province as a project company to take charge of the investment, construction and operation of Tianqiong Expressway, with a registered capital of approximately RMB1,737 million, of which the Company contributed RMB1,424.34 million. On 20 October 2021, the Chengqiongya Company entered into the general contracting agreement with Road & Bridge International, with a total contract amount of approximately RMB4,926 million. From the commencement date of construction to 31 December 2021, an accumulated investment of approximately RMB1,319 million had been invested in the Tianqiong Expressway Project.

(4) Termination of Featured Vocational and Technical Education Project in Qionglai City

On 24 July 2019, Chengyu Education Company entered into the Letter of Investment Intent on the Featured Vocational and Technical School Project with the People's Government of Qionglai City, Sichuan Province, pursuant to which it was proposed to invest in and develop a featured vocational and technical school project in Qionglai City, Sichuan Province. In view of the great changes in the market environment since 2020, after taking into consideration various relevant factors carefully, the Company decided to terminate the external investment, so as to safeguard the interests of the Company and the Shareholders as a whole. Chengyu Education Company and the People's Government of Qionglai City reached a consensus through negotiation and entered into an agreement on 8 February 2021 to terminate the investment for the featured vocational and technical school project in Qionglai City.

On 21 May 2021, Chengyu Education Company completed the formalities for company change registration, and the name of the company has been changed to Sichuan Chengyu Transportation Technology Development Co., Ltd.* (四川成渝交通科技發展有限公司). Subsequent to that, it will expand the transportation technology business through the way of external cooperation in combination with self-investment.

(5) Lushan Tourism Highway PPP Project

On 4 March 2021, the consortium comprised of Shunan Company, as the leader, and Transportation Construction Company successfully won the bid for the PPP project of the construction of a tourism highway from Longmen to Baosheng to Dachuan in Lushan County. Subsequently on 15 April 2021, a project company named Lushan County Shunan Engineering Construction Project Management Co., Ltd. (蘆山縣蜀南工程建設項目管理有限公司) was incorporated, Shunan Company holds 89.99% of its shares..

Lushan Tourism Highway PPP Project is located within Lushan County, Ya'an City and Qionglai City, Sichuan Province. The construction mileage of the project is 8.3 km with an estimated total investment of approximately RMB390 million (including RMB20 million supported and invested by government). The BOT (build – operate – transfer) model was adopted for the project.

II. FINANCIAL REVIEW AND ANALYSIS

Analysis of Operating Results and Financial Position

Summary of the Group's Operating Results

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	**8,830,296**	8,198,610
Including: Net toll roads and bridges income	**3,465,849**	3,007,666
Net city operation revenue	**3,376,423**	3,545,098
Net financial investment revenue	**199,177**	186,695
Net energy investment revenue	**1,788,847**	1,459,151
Profit before tax	**2,288,196**	991,607
Profit attributable to owners of the Company	**1,870,856**	674,809
Earnings per share attributable to owners of the Company *(RMB)*	**0.612**	0.221

Summary of the Group's Financial Position

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Total assets	**40,647,497**	40,404,381
Total liabilities	**22,199,036**	23,870,700
Non-controlling interests	**1,083,466**	998,647
Equity attributable to owners of the Company	**17,364,995**	15,535,034
Equity per share attributable to owners of the Company *(RMB)*	**5.678**	5.080

ANALYSIS OF OPERATING RESULTS

Revenue

The Group's net revenue for the year amounted to RMB8,830,296,000 (2020: RMB8,198,610,000), representing a year-on-year increase of 7.70%, of which:

(1) The net toll roads and bridges income was RMB3,465,849,000 (2020: RMB3,007,666,000), representing a year-on-year increase of 15.23%, which was mainly due to, as affected by the pandemic of previous year, the free time travel for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to requirements of the Notice on the Extension of the Free Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020 年春節假期小型客車免費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport, and according to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic issued by the Ministry of Transport 《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》, all vehicles passing toll roads according to law are exempt from vehicle toll fees from 00:00 on 17 February 2020 to 24:00 on 5 May 2020. The toll road tolls was resumed, for which, Chengyu Expressway, Chengya Expressway, Chengren Expressway, Chengbei Exit Expressway, Suiguang-Suixi Expressways was recorded an increase during the year as compared with that for the same period of last year, representing a year-on-year increase of 9.49%, 28.90%, 13.30%, 40.18%, 18.35%, 45.06%, respectively in terms of the toll income (before deduction of turnover taxes) in 2021. The toll income (before deduction of turnover taxes) of Chengle Expressway in 2021 recorded a year-on-year decrease of 11.59% due to half-length closed construction. Please refer to operating conditions of the toll roads and bridges businesses of the Group in this announcement for details of the main factors affecting the toll income of the Group during the Reporting Period;

(2) The net city operation revenue was RMB3,376,423,000 (2020: RMB3,545,098,000), representing a decrease of 4.76% compared with the previous year, which was mainly due to that: (1) the construction contract revenue (before deduction of turnover taxes) in respect of service concession arrangements was RMB2,500,606,000 (2020: RMB2,931,715,000), representing a decrease of 14.71% compared with the previous year, which was the construction revenue from the project for expansion construction of Chengle Expressway, Tianqiong Expressway BOT Project and Meishan Gas Station Construction Project of Chengya Oil recognized under the input method; (2) construction contract revenue (before deduction of turnover taxes) in respect of construction works performed for third parties amounted to RMB114,364,000 (2020: RMB29,986,000), representing an increase of 281.39% compared with the previous year, which was mainly due to the income related to the output value of the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County recognized under the input method during the year; (3) revenue generated from sales of industrial products was RMB59,204,000 (2020: RMB41,543,000), representing an increase of 42.51% compared with the previous year, mainly due to the increase in revenue from commercial trade business for the year; (4) revenue generated from property development was RMB618,587,000 (2020: RMB462,788,000), representing an increase of 33.67% compared with the previous year, mainly due to the increased delivery of residential units on Land A of Beichengshidai (Phase II) for the year, and the increased revenue from sale of commercial property was recognised; (5) the revenue of other projects was RMB62,781,000 (2020: RMB58,766,000), representing an increase of 6.83% compared with the previous year;

(3) The net financial investment revenue was RMB199,177,000 (2020: RMB186,695,000), representing an increase of 6.69% compared with the previous year, which was mainly due to: the increase in rental income resulting from the increase in the amount of financial leasing projects in the year;

(4) The net energy investment revenue was RMB1,788,847,000 (2020: RMB1,459,151,000), representing an increase of 22.60% compared with the previous year, which was mainly due to the combined effect of: (1) the year-on-year increase in the selling price of refined oil as affected by the macro-control of oil prices during the year; (2) the year-on-year increase in sales volume of refined oil.

Other Income and Gains

The Group's other income and gains for the year amounted to RMB1,153,472,000 (2020: RMB306,606,000), representing a year-on-year increase of RMB846,866,000 or 276.21%. This was mainly due to the investment income of approximately RMB899,409,000 recognized from the disposal of Renshou Landmark Company during the year.

Operating Expenses

The Group's operating expenses for the year amounted to RMB7,152,410,000 (2020: RMB6,887,437,000), representing a year-on-year increase of 3.85%, of which:

(1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB2,500,606,000 (2020: RMB2,931,715,000), representing a year-on-year decrease of 14.71%. This mainly included construction costs recognized for Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Meishan Gas Station Construction Project of Chengya Oil;

(2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB108,110,000 (2020: RMB6,813,000), representing a year-on-year increase of 1486.82%, mainly attributable to the cost related to the output value of the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County;

(3) Depreciation and amortization expenses increased by 3.59% from RMB924,354,000 for the last year to RMB957,578,000 for the year, mainly attributable to amortization for service concession arrangements, depreciation of right-of-use assets and the increase in depreciation of property, plant and equipment;

(4) The cost of sales of refined oil and chemical products was RMB1,565,316,000 (2020: RMB1,245,582,000), representing an increase of 25.67% over the last year, which was mainly due to the increase in unit price and sales volume of refined oil and the corresponding increase in the sales costs during the year;

(5) The cost of property sales was RMB472,121,000, representing an increase of 29.87% over the last year, which was mainly due to the recognition of the increased cost of sale of commercial properties resulting from the increased delivery of residential units on Land A of Beichengshidai (Phase II) for the year;

(6) Staff costs increased by 4.87% from RMB812,852,000 for last year to RMB852,494,000 for the year, mainly due to the impact of social insurance premium relief policies during the epidemic in the previous year;

(7) Repair and maintenance costs increased by 15.79% from RMB188,092,000 for the last year to RMB217,794,000, which was the daily maintenance costs of the ancillary facilities of all expressways of the Group;

(8) The costs of finance lease was RMB98,253,000 (2020: RMB85,015,000), representing an increase of 15.57% over the last year, mainly due to the increase in borrowing interests as a result of the increase in the number of finance lease project placed;

(9) Impairment loss on financial assets included in other receivables was RMB1,839,000 (reversal in 2020: RMB13,587,000) during the period.

Finance Costs

The Group's finance costs for the year amounted to RMB891,250,000 (including: expensed interest expenses of RMB583,565,000), representing an increase of 11.05% as compared with RMB802,554,000 (including: expensed interest expenses of RMB632,911,000) for the same period last year, The increase in finance costs for the year was mainly due to the increased withdrawn of construction loans for Chengle Expressway Expansion Construction Project and Tianqiong Expressways Build-Operate-Transfer Project. The decrease in expensed interests for the period was mainly due to the repayment of principal and the decrease in interest rate.

Income Tax

The income tax expense of the Group for the year amounted to RMB337,180,000, representing an increase of approximately 30.84% as compared with RMB257,710,000 for the year of 2020, mainly due to the change in profit.

Profit

The Group's profit for the year amounted to RMB1,951,016,000, representing an increase of 165.84% as compared with RMB733,897,000 for the same period last year, of which the profit attributable to owners of the Company was RMB1,870,856,000, representing an increase of 177.24% as compared to the same period last year. This was mainly due to:

(1) The profit of the toll roads and bridges segment for the year was approximately RMB1,223,489,000, representing an increase of approximately RMB491,453,000 as compared with last year, which was mainly due to the impact of the epidemic policies on expressways in the previous year, the toll-free time for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020; in addition, all vehicles passing toll roads according to law were exempt from tolls of toll expressways nationwide from 00:00 on 17 February 2020 to 24:00 on 5 May 2020. During the period, the pandemic prevention and control was trended to be normal, and toll roads was resumed, and the toll income (before deduction of turnover taxes) increased by RMB470,971,000 as compared with the same period of last year;

(2) Profit of the city operation segment for the year amounted to approximately RMB175,152,000, representing a decrease of approximately RMB13,038,000 as compared with the same period last year, which was mainly due to (1) the decrease in the calculation base of investment income as a result of the collection of payments from the audited projects during the year, resulting in a corresponding decrease in the recognition of interest income and investment income; (2) the decrease in revenue from commercial trade business this year, plus a year-on-year decrease in profit as a result of the expected credit loss reversed in last year (but not occurred this year);

(3) Profit of the financial investment segment for the year amounted to approximately RMB102,472,000, representing an increase of RMB29,963,000 as compared with the last year, which was mainly due to the increase in profit of segment in line with the growth in the scale of the new finance lease projects launched during the period;

(4) Profit of the energy investment segment for the year amounted to approximately RMB169,840,000, representing an increase of approximately RMB12,475,000 as compared with the same period last year, mainly due to (1) the year-on-year increase in the selling price of refined oil as a result of the macro-control of oil price; (2) the optimized settlement method of refined oil procurement by Zhonglu Energy Company during the year.

ANALYSIS OF FINANCIAL POSITION

Non-current Assets

As at 31 December 2021, the Group's non-current assets amounted to RMB33,357,866,000, representing an increase of RMB2,253,550,000 as compared with the end of 2020, mainly attributable to:

(1) An increase of RMB1,711,262,000 in service concession arrangements as compared with the end of 2020 which included an increase of approximately RMB2,700,975,000 from Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Meishan Gas Station Construction Project of Chengya Oil, and the provision for amortization of service concession arrangements of approximately RMB802,374,000;

(2) A decrease of RMB49,977,000 in right-of-use assets as compared with the end of 2020, mainly due to depreciation and amortization;

(3) Property, plant and equipment decreased by RMB53,859,000 as compared with the end of 2020, mainly due to the provision for depreciation;

(4) An increase of RMB15,117,000 in investment in associates and joint ventures as compared with the end of 2020 mainly due to (1) the decrease in carrying amount due to the profit distribution of RMB16,484,000 for 2020 declared by Airport Expressway during the year; (2) the decrease in carrying amount due to the receipt of dividends in a total amount of RMB7,938,000 from the Chengyu Development Fund Project and Zhongxin Company during the year; (3) the decrease in carrying amount due to the receipt of dividends in a total amount of RMB579,000 from Renshou Bank during the year; (4) the increase in carrying amount due to the recognition of investment income in a total amount of RMB40,403,000 during the year; (5) the decrease of carrying amount of RMB285,000 due to dilution of investment by Zhongxin Company;

(5) An increase of RMB167,172,000 in financial assets at fair value through other comprehensive income as compared with the end of 2020, which was mainly due to the change of fair value of Sichuan Transportation Construction Group Co., Ltd.;

(6) A decrease of approximately RMB35,989,000 in restricted bank deposits as compared with the end of 2020, which was mainly due to the disposal of Renshou Landmark Company during the year, resulting the exclusion of scope of consolidation for deposits for mortgage of real estate projects;

(7) An increase of RMB128,652,000 in loans to customers as compared with the end of 2020, which was mainly due to the increase in finance lease projects and the increase in finance lease receivables (repayment by instalments);

(8) A decrease of RMB156,303,000 for land held by property development as compared with the end of 2020, mainly due to the disposal of Renshou Landmark Company during the year, resulting the exclusion of scope of consolidation for the land held by property development;

(9) A decreased of RMB18,227,000 for contract costs as compared with the end of 2020, mainly due to the reclassification of the capitalized part of sales commission of real estate projects;

(10) A decrease of RMB11,002,000 for long term compensation receivables.

Current Assets and Current Liabilities

As at 31 December 2021, the current assets of the Group amounted to RMB7,289,631,000 representing a decrease of 21.62% as compared with the end of 2020, mainly attributable to:

(1) There were no properties under development and completed properties held for sale at the end of the year, mainly due to the disposal of Renshou Landmark Company;

(2) An increase of RMB656,730,000 in the balance of cash and cash equivalents as compared with the end of 2020, mainly due to the cash inflow from the disposal of certain equity interests and assets due to the optimization of business structure for the year;

(3) An increase of approximately RMB363,887,000 in loan to customers due within one year compared with the end of 2020, mainly due to the increase in financial leasing funds receivable due within one year (recovery by instalment);

(4) Trade and other receivables decreased by RMB437,042,000 as compared to the end of 2020, mainly due to a decrease in trade receivables (including bills receivable) of RMB282,129,000, a decrease in other receivables of RMB144,021,000 and a decrease in prepayment of RMB10,892,000;

(5) An increase of approximately RMB14,080,000 in inventories as compared with the end of 2020, mainly due to an increase in the pre-purchase for the year of oil products for the year;

(6) A decrease of approximately RMB17,040,000 in contract costs as compared with the end of 2020, mainly due to the disposal of Renshou Landmark Company during the year, resulting the exclusion of scope of consolidation for the contract costs related to real estate business;

(7) A decrease of RMB15,000,000 for pledged time deposits as compared with the end of 2020, mainly due to no time deposits pledged for the performance guarantee of road construction projects during the year;

As at 31 December 2021, the Group's current liabilities amounted to RMB3,432,636,000, representing a decrease of 61.61% as compared with the end of 2020, mainly attributable to a decrease of RMB1,455,211,000 in trade and other payables, a decrease of RMB911,363,000 in contract liabilities; a decrease of RMB29,434,000 in shareholders dividend payable; a decrease of approximately RM17,466,000 in tax payable; an decrease of approximately RMB3,091,031,000 in interest-bearing bank and other loans, mainly due to the repayment of approximately RMB4,841,348,000 of short-term borrowings and long-term borrowings due within one year during the year; an increase of approximately RMB499,000,000 for current loans, an increase in the reclassification of approximately RMB1,304,475,000 for bank loans and medium term notes reclassified as due within one year, and a decrease of RMB53,158,000 for other borrowings, finance lease payables and lease liabilities.

Non-current Liabilities

As at 31 December 2021, the non-current liabilities of the Group amounted to RMB18,766,400,000, representing an increase of 25.64% as compared with the end of 2020, which was principally attributable to the decrease of RMB657,856,000 for contract liabilities as compared with last year which was mainly due to reclassification of the advances received in real estate projects; a decrease of RMB32,452,000 for deferred income as compared with last year; increase of approximately RMB4,513,047,000 in bank and other interest-bearing loans as compared with that of the end of last year. In particular, the increase in bank and other interest-bearing loans amounted to approximately RMB6,328,460,000, and the amount reclassified as current liabilities amounted to approximately RMB1,304,475,000 during the year, the early repayment of part of long-term borrowings amounted to RMB329,242,000 and the decrease of RMB181,696,000 for other borrowings, finance lease payables and lease liabilities.

Equity

As at 31 December 2021, the Group's equity amounted to RMB18,448,461,000 representing an increase of 11.58% as compared with the end of 2020, mainly attributable to: (1) profit of RMB1,951,016,000 for the year, which increased the equity; (2) an increase in equity of RMB203,171,000 due to the adjustment to the fair value of financial assets as a result of presenting changes in other comprehensive income; (3) the final dividend of 2020 paid in the year amounting to RMB244,645,000, which decreased the equity; (4) payment of dividends of RMB31,620,000 to non-controlling shareholders, which decreased the equity; (5) a decrease of RMB285,000 due to dilution of investments in joint ventures, which decreased the equity; (6) investment by non-controlling shareholders, which increased the equity of RMB3,009,000; (7) an increase of RMB34,134,000 in disposal of financial assets as a result of presenting changes in other comprehensive income, which increased the equity.

Capital Structure

As at 31 December 2021, the Group had total assets of RMB40,647,497,000 and total liabilities of RMB22,199,036,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 54.61% (31 December 2020: 59.08%).

Cash Flow

As at 31 December 2021, the cash and bank balances of the Group amounted to RMB3,837,070,000, representing an increase of approximately RMB656,730,000 as compared with the end of 2020. It comprised approximately HKD55,000 (equivalent to approximately RMB45,000) deposits in Hong Kong dollars, and RMB3,837,025,000 cash and deposits in Renminbi.

During the year, net cash outflows from operating activities of the Group amounted to RMB2,084,685,000 (2020: net cash outflow of RMB564,341,000), representing an increase of RMB1,520,344,000 in cash outflows compared with the last year, which was mainly because: profit before tax increased by RMB1,296,589,000 as compared with the last year; the new service concession arrangements resulted in a decrease of RMB431,109,000 in cash outflows for the year as compared with the last year; the increase in properties under development resulted in an increase of RMB650,638,000 in cash outflows for the year as compared with the last year; the decrease in the properties held for sale resulted in an increase of RMB1,271,345,000 in cash inflows for the year as compared with the last year; cash outflows from new loans to customers increased by RMB400,916,000 as compared with last year; the increase in restricted deposits resulted in an increase of RMB13,234,000 in cash inflows for the year as compared with the last year; the increase in deferred income resulted in an increase of RMB213,701,000 in cash outflow for the year as compared with last year; the decrease in contract assets and contract costs resulted in an increase of RMB19,751,000 in cash inflow for the year as compared with last year; the decrease in trade receivables and other receivables resulted in a decrease of RMB32,773,000 in net cash inflows for the year compared with the last year; the increase in inventories resulted in an increase of RMB28,932,000 in the cash outflows for the year compared with the last year; the decrease in contract liabilities resulted in an increase of RMB725,725,000 in the net cash outflows for the year compared with the last year; the increase in trade payables and other payables resulted in an increase of RMB853,300,000 in cash outflows for the year compared with the last year.

Net cash inflow used in investing activities of the Group amounted to RMB1,901,238,000 (2020: net inflow of RMB66,882,000), with an increase in net cash inflow of RMB1,834,356,000 compared with the last year. It was mainly due to the decrease of RMB46,139,000 in cash outflow for the purchase of property, plant and equipment as compared with last year; cash inflow amounted to RMB1,796,351,000 from the gain on disposal of subsidiaries and reception of principal and interest on loans from related parties resulting from the disposal of Renshou Landmark Company; cash inflow amounted to RMB70,576,000 from the disposal of equity investment income at fair value through other comprehensive income; the decrease of RMB76,655,000 in cash inflow from the gain on disposal of financial assets at fair value through profit or loss as compared with the last year; the decrease in pledged time deposits resulted in an increase of RMB15,000,000 in cash inflows for the year compared with the last year.

Net cash inflow used in financing activities was RMB840,177,000 (2020: net cash inflow of RMB726,095,000), representing an increase in net cash inflow of RMB114,082,000 as compared with the last year, which was mainly due to an increase of RMB112,215,000 in cash inflow from new bank loans and other loans as compared with the last year; a decrease of RMB102,555,000 in cash outflow from repayment of bank loans, medium term notes and other loans and payment of lease principal as compared with the last year; a decrease of RMB91,742,000 in cash outflow from dividend paid to the owners of the Company compared with the last year; an increase of RMB44,878 in cash outflow from dividend paid to non-controlling shareholders as compared with the last year; a decrease of RMB151,749,000 in cash outflow from interest paid compared with the last year; a decrease of RMB94,191,000 in cash inflow received from investment from non-controlling shareholders as compared with the last year.

Exchange Fluctuations Risks

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

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

Borrowings and Solvency

As at 31 December 2021, the Company's bank and other interest-bearing borrowings amounted to RMB19,982,313,000, all of which bore fixed interest rates. The balance of bank loans was RMB18,471,870,000, with annual interest rates ranging from 2.23% to 6.40%; the balance of other loans amounted to RMB220,443,000, with annual interest rate ranging from 4.99% to 6.8%; the balance of medium-term notes amounted to RMB1,290,000,000, with a coupon interest rate of 3.49% to 6.30% per annum. The relevant balances are set out as follows:

Interest-Bearing Bank and other Loans

	Total	**Within 1 year**	**Within 1 year to 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from banks	18,471,870	1,369,575	4,736,759	12,365,536
Other loans	220,443	99,598	68,779	52,066
Medium-term notes	1,290,000		1,290,000	
Total (as at 31 December 2021)	19,982,313	1,469,173	6,095,538	12,417,602
Total (as at 31 December 2020)	18,560,297	4,560,204	5,392,651	8,607,442

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB48,140 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. In 2019, China CITIC Bank Corporation Limited (Chengdu Branch) transferred the entire loan balance under the Syndicated Contract to China Construction Bank Corporation (Sichuan Branch), and China Construction Bank Corporation (Sichuan Branch) became the leader in 2020. As at 31 December 2021, the balance of the syndicated loan for the project amounted to RMB1,828 million.

In 2013, China Development Bank (Sichuan Branch) as leader and other four banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,950 million. Such loan is specially used for construction of Suiguang Expressway BOT Project. As at 31 December 2021, the balance of the syndicated loan for the project amounted to RMB4,340 million; in 2013, China Development Bank (Sichuan Branch) as leader and other two banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB3,380 million. Such loan was specially used in Suixi Expressways BOT Project. As at 31 December 2021, the balance of the syndicated loan for the project amounted to RMB2,870 million.

In 2019, China Construction Bank Corporation (Sichuan Branch) and China Development Bank (Sichuan Branch) as leader and other five banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB10,400 million. Such loan is specially used for construction of Chengle Expressway Expansion Construction Project. As at 31 December 2021, the balance of the syndicated loan for the project amounted to RMB4,205 million; in 2021, China Construction Bank Corporation (Sichuan Branch) and China Development Bank (Sichuan Branch) as leader and other three banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB6,920 million. As at 31 December 2021, the balance of the syndicated loan for the project amounted to RMB180 million. The above two loans are specially used for construction of Chengle Expressway Expansion Construction Project.

In 2020, China Construction Bank Corporation (Sichuan Branch) and China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other five banks carrying on businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB6,948 million. Such loan is specially used for construction of Tianqiong Expressway BOT Project. As at 31 December 2021, the balance of the syndicated loan for the project amounted to RMB667 million.

Pledge of assets

As at 31 December 2021, the Group did not pledge any time deposits (31 December 2020: RMB15,000,000) for the performance guarantee of road construction project; did not provide any mortgage security for Beichengshidai Real Estate Project (31 December 2020: RMB33,291,000); the concession right to collect toll pertaining to Chengle Expressway with net carrying value of RMB7,911,826,000 (31 December 2020: RMB5,788,278,000) was pledged to secure the syndicated loan amounting to RMB4,385,230,000 (31 December 2020: RMB2,590,000,000); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,290,814,000 (31 December 2020: RMB6,470,301,000) was pledged to secure the syndicated loan amounting to RMB1,828,353,000 (31 December 2020: RMB2,101,701,000); the concession right to collect toll pertaining to Suiguang-Suixi Expressways with net carrying value of RMB11,312,363,000 (31 December 2020: RMB11,662,808,000) was pledged to secure the syndicated loan amounting to RMB7,210,000,000 (31 December 2020: RMB7,610,000,000); the concession right to collect toll pertaining to Tianqiong Expressway with net carrying value of RMB1,319,033,000 was pledged to secure the bank loans amounting to RMB667,000,000; loans to customers with net carrying value of RMB1,864,177,000 (31 December 2020: RMB925,579,000) were used for the pledge of bank and other interest-bearing loans amounting to RMB1,211,287,000 (31 December 2020: RMB681,299,000); and did not pledge any land use right (31 December 2020: RMB499,100,000) to secure bank loans amounting to RMB40,000,000 (31 December 2020: RMB82,000,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2021.

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities.

III. BUSINESS DEVELOPMENT PLAN

Based on analysis and review of our work and operations during the Reporting Period, and taking into account our forecast and judgement of future economic situation, policy environment and developments of the industry and our business in the 2022, we have formulated the following work plan with a focus on the overall development plan of "14th Five-Year" Plan and business objectives for the year of 2022:

1. Ensuring quality and quantity to achieve new progress in the growth of main business.

The Company will maintain the expressway segment as its main and core business, proactively integrate itself into the national and provincial transportation development strategies, dynamically calibrate the development direction, proactively acquire high-quality industrial resources and development elements, and continuously consolidate and strengthen the advantages of main business. The Company will coordinate and advance the projects under construction and proposed projects, ensure the completion of the task of investment in key transportation projects for the year, adhere to the concept of the integration of "investment, financing, construction, management, maintenance and transportation", strictly control whole life cycle costs, and strive to reduce investment, construction and maintenance costs. The Company will also pay close attention to the operating sections inside and outside the province, and steadily replenish quality road products to ensure high-quality and sustainable development of the main business.

2. Expanding the chain and capacity to expand into new areas of diversification.

Based on the transportation network and gateway hub, focusing on the new demand and new consumption, the Company will transform the front-end resource chain into the back-end value chain of projects, products and services. The Company will strengthen and expand the road area economy, increase the high-quality business forms in the service areas, establish cooperation with leading enterprises in commerce circulation and energy sales, and open up urban service business; refine and specialize in technology business, give full play to the greater role of the operation science and innovation center, rely on the platform of technology companies to deepen cooperation between industry, academia, research and application, and explore the layout of green and low-carbon industries which are competitive bearing the goal of "dual carbon (namely, peak carbon emission and carbon neutrality)" in mind; make better and more sound investment business, increase investment in the upstream and downstream of the transportation industry chain, form an efficient entry-and-exit mechanism of fund-raising, investment, management and exit, timely realization and circular appreciation, and make more profits.

3. Improving quality and efficiency to create new achievements in operation management.

The Company will further improve the operation level, enhance the profitability, and accelerate the transformation from a traditional infrastructure investment, construction, operation and management enterprise to a comprehensive transportation service enterprise. It will enhance the ability of talents to create benefit, accelerate the change and upgrade the knowledge structure and business skills of the talent team. The Company will introduce and cultivate high-level and urgently needed talents and innovative leaders in relevant diversified fields; enhance the ability to increase efficiency relying on technologies, improve the level of systematization and intensification, strengthen intelligent management and maintenance and technological inspection, promote the application of low-cost and high-efficiency innovation results, and promote standardized design and intelligent technology. The Company will formulate medium- and long-term planning for maintenance, enhance the control in the early stage of project implementation, strengthen the process control and scientifically reduce the investment in maintenance; enhance the financial efficiency, insist on the integration of industry and finance, strengthen the prediction, analysis and control functions of comprehensive budget, play the role of key resource allocation and improve the financial information decision support system. The Company will strengthen the synergy between business flow and capital chain, promote the transformation and upgrade of capital management system, broaden domestic and overseas diversified capital raising channels, optimize the financing structure and debt structure, form a new pattern of multi-dimensional and multi-level financing, scientifically study and judge the progress of projects and capital requirements, and match low-cost financing solutions.

4. Building a new fortification for risk prevention and control in multi-points and multi-aspects.

The Company will enhance its awareness of risks, implement risk prevention and control and safe development in all areas and processes, improve emergency response and disposal capabilities, and build a solid safety barrier for corporate governance and prosperity. The Company will guard the bottom line of operation and investment, intensively deploy the three lines of defense of compliance, internal control and internal audit, and construct a risk control system featuring hierarchical classification and centralized management; guard the red line of safety and environmental protection, strengthen the construction of emergency response system, improve emergency plans, enhance emergency drills, and improve disaster prevention, mitigation and emergency rescue capabilities. The Company will put the concept of energy conservation and low carbon into the whole process of planning, construction, operation and maintenance, and insist on green development; guard the line of defense against the COVID-19 pandemic, use the joint prevention and control, group prevention and control long-term mechanism, combine the routine targeted prevention and control and local emergency disposal, and strictly implement the prevention and control measures in the area where it is located.

Li Wenhu
Vice Chairman and General Manager

Chengdu, Sichuan Province, the PRC
30 March 2022

CORPORATE GOVERNANCE REPORT

I. CORPORATE GOVERNANCE

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Corporate Governance Code (the "Code") of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. During the Reporting Period and up to the date of this annual report, the Company has adopted and complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Stock Exchange except for the deviations as shown below.

As disclosed in the announcement of the Company dated 22 March 2022, following the resignation of Mr. Zhang Yong Nian as the company secretary and the authorized representative on 22 March 2022, the Company failed to meet the requirements of (i) the company secretary under Rule 3.25 of the Listing Rules; and (ii) Rule 3.05 of the Listing Rules in relation to the authorised representatives. The Company is in the process of identifying a suitable candidate to fill the vacancy of company secretary and authorised representative as soon as practicable to ensure compliance with Rules 3.28 and 3.05 of the Listing Rules.

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

(I) Amendments to and improvements in corporate governance system

During the Reporting Period, the Company has adjusted and further supplemented and improved the corresponding corporate governance rules according to the amendments to laws, regulations and normative documents of relevant competent authorities. On 26 August 2021, as approved by the Board of the Company, the Company formulated the Administrative Measures for Information Disclosure of Debt Financing Instruments in the Inter-bank Bond Market (Trial). Shareholders and investors can access the above rules and regulations through the websites of the stock exchange and the Company.

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

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

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

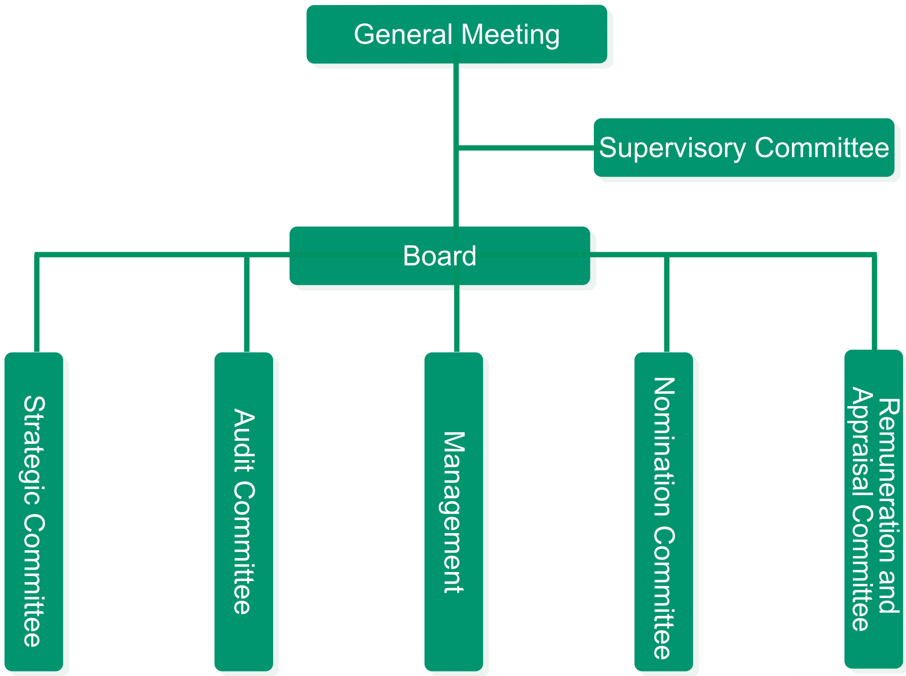
After years of operation and development, the Company has established a relatively comprehensive risk management and internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its risk management and internal control system needs to be continuously optimized and enhanced. Meanwhile, in order to implement the "Basic Rules for Internal Control of Companies" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the Implementary Guideline for Enterprise Internal Control, and in light of the "Guidelines on Internal Control for Listed Companies" by the SSE and the Code, the Company has launched the construction of the corporate internal control system in an all-around way since the second half of 2010 and promptly completed the preparation and test of the Internal Control Manual as well as self-assessment and audit of internal control for the years from 2011 to 2020. In 2021, the Company solidly advanced internal control to ensure that the overall operation of the Company's internal control system was good. On the basis of proper supervision, self-inspection and review, the Company further strengthened its supervision and evaluation work as well as internal control system to consolidate the foundation of the system serving the business development of the Company.

Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2021, the Board considers that, in terms of such businesses and matters as included in the scope of assessment, the Company had put in place risk management and internal control which had been implemented effectively with the Company's risk management and internal control objectives being accomplished, and there were no significant defects during the Reporting Period. Shinewing Certified Public Accountants (Special General Partnership) has audited the effectiveness of the relevant internal control for financial reporting of the Company and issued auditors' reports with standard unqualified opinions.

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

II. LEGAL PERSON GOVERNANCE STRUCTURE OF THE COMPANY

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



(I) Shareholders and General Meetings

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

1. *Substantial Shareholders*

The substantial Shareholders of the Company include Shudao Group and China Merchants Expressway Company. The substantial Shareholders had acted properly and never exploited their special position to intervene, in ultra vires over the general meetings, the decision-making or the operation of the Company or advance extra interests.

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

2. *Policy on distribution of dividends*

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

(1) Intervals of profit distribution

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

(2) Forms of profit distribution

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

(3) Conditions for distributing profit in shares

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

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

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

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

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

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

3. General Meetings and Rights of Shareholders

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

The annual general meetings or other extraordinary general meetings in each year provide a channel of direct communication between the Board and Shareholders. The Company encourages all Shareholders to attend general meetings and issues the meeting notice within at least 20 business days prior to the convening of the annual general meetings and at least 10 or 15 business days (whichever is longer) prior to the convening of the extraordinary general meetings, and takes appropriate ways of disclosure and expression based on the regulatory regulations of different stock exchanges and reading habits of different investors to provide Shareholders with information or data that is helpful to decision-making. The Company discloses the details of procedures for Shareholders to attend in person or by proxy, contact information for enquiries by Shareholders, and etc., in the notices of general meetings. In accordance with the provisions under the Articles of Association, Shareholders individually or collectively holding more than 3% of the Company's Shares can make a temporary motion and submit it in writing to the convener ten (10) days before the date of Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting announcing the contents of the temporary motion within two (2) days upon receipt of the motion. At the general meetings, all Shareholders also have opportunities to make enquiries to the Directors about issues concerning the operation and results of the Group. All Directors and senior management of the Company are required to attend the meetings as much as possible to answer Shareholders' enquiries and discuss directly with Shareholders about the Company's business and prospect.

In 2021, the Company convened four general meetings. The convening of and matters approved at the meetings are summarized as follows:

No.	Meeting	Date of Meeting	Name of Resolutions		Resolutions
1	The 1st extraordinary general meeting in 2021	7 January 2021	1.	Resolution in relation to the Signing of the Construction Project Connected Transaction Framework Agreement between the Company and STIG.	The resolution was duly considered and passed

No.	Meeting	Date of Meeting	Name of Resolutions	Resolutions
2	2020 annual general meeting	25 May 2021	1. Resolution in relation to the registration of issued corporate bonds and the relevant matters 2. Resolution in relation to profit distribution and dividend distribution plan of the Company for the year 2020 3. Resolution in relation to the work report of the Board for the year 2020 4. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2020 5. Resolution in relation to the duty performance report of independent Directors for the year 2020 6. Resolution in relation to the financial budget implementation report for the year 2020 7. Resolution in relation to the 2020 domestic and overseas annual reports and their summaries 8. Resolution in relation to the financial budget for the year of 2021 9. Resolution in relation to the reappointment of Shinewing Certified Public Accountants (Special General Partnership) as the PRC auditor of the Company for the year 2021	All the resolutions were duly considered and passed

No.	Meeting	Date of Meeting	Name of Resolutions	Resolutions
			10. Resolution in relation to the reappointment of Ernst & Young Certified Public Accountants as the domestic auditor of the Company for the year 2021	
			11. Resolution in relation to the liability insurance for Directors, Supervisors and Senior Management of the Company	
			12. Resolution in relation to the remuneration scheme of Mr. Yu Haizong	
			13. Resolution in relation to the election of independent Directors	

No.	Meeting	Date of Meeting	Name of Resolutions	Resolutions
3	2nd extraordinary general meeting in 2021	28 September 2021	1. Resolution in relation to the transfer of 91% equity interest in Renshou Landmark and the corresponding shareholder's loan 2. Resolution in relation to the transfer of the sale assets by Shuhong Company	All the resolutions were duly considered and passed
4	3rd extraordinary general meeting in 2021	8 December 2021	1. Resolution in relation to the entering into the General Construction Contract of Tianfu New District to Qionglai Expressway between Sichuan Chengqiongya Expressway Company Limited and Road & Bridge International Co., Ltd. 2. Resolution in relation to the remuneration scheme of Mr. Liu Changsong 3. Resolution in relation to the election of Directors	All the resolutions were duly considered and passed

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

Tel:	(86) 28–8552 7526
Fax:	(86) 28–8553 0753
E-mail:	db@cygs.com
Contact address:	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal code:	610041

(II) Board and Directors

Board

1. *Responsibilities and division of work*

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

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

2. *Composition*

As at 31 December 2021, the Board currently has 11 Directors (note). It was the seventh session of the Board since the establishment of the Company. The term of office of the Directors commenced from 13 November 2019 or from the date on which the Directors were elected. As at the date of this annual report, the composition of the Board of the Company is set out in Section VIII "Profile of Directors, Supervisors, Senior Management and Employees" in this annual report.

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

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

Note: According to the Articles of Association, the Board comprises 12 Directors, as of 31 December 2021, there is one Director to be appointed.

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

3. Meetings of the Board

During the Year, the Board of the Company convened a total of 8 Board meetings in view of the needs of the operation and business development of the Company. Board meetings and resolutions are published on the websites of the Stock Exchange, the SSE and the Company for review by Shareholders and investors.

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

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

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

Directors

1. Appointment

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

2. Information support and professional development

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

In 2021, the participation of Directors in continuing professional development activities is as follows:

	Type of Activity	
Name of Director	**Reading materials in respect of traffic and transportation, corporate governance, capital operation and financial accounting**	**Participation in centralized trainings and attendance in forums, seminars and meetings on regulatory work**
Gan Yongyi	✔	✔
Li Wenhu	✔	✔
Liu Changsong *(Note)*	✔	✔
Ma Yonghan	✔	✔
You Zhiming	✔	✔
He Zhuqing	✔	✔
Li Chengyong	✔	✔
Yu Haizong *(Note)*	✔	✔
Liu Lina	✔	✔
Yan Qixiang	✔	✔
Bu Danlu	✔	✔
Yang Guofeng *(Note)* (Resigned)	✔	✔
Gao Jinkang *(Note)* (Resigned)	✔	✔

In addition, Mr. Zhang Yongnian, the Secretary of the Board of the Company (who resigned on 22 March 2022), has also accepted professional training of no less than 15 hours in accordance with Rule 3.29 of the Listing Rules. .

Note: On 30 March 2021, Mr. Gao Jinkang, an independent director of the Company, tendered his written application for resignation to the Board for his personal work arrangement. As stipulated in the Articles of Association, the resignation of an independent Director shall become effective upon filling of vacancy by a succeeding independent Director. On 25 May 2021, as considered and approved by the Shareholders at the 2020 annual general meeting of the Company, Mr. Yu Haizong was elected as an independent Director of the seventh session of the Board of Directors of the Company for a term commencing from the date on which his appointment was approved at the general meeting and ending on the expiry date of the seventh session of the Board of Directors. The resignation of Mr. Gao Jinkang as an independent Director became effective on the same day; on 11 October 2021, Mr. Yang Guofeng tendered his written application for resignation of the Director of the Company to the Board for his personal work arrangement. As stipulated in the Articles of Association, the resignation of an independent Director shall become effective upon the receipt of his resignation letter by the Board of Directors of the Company. On 8 December 2021, Mr. Liu Changsong was elected as a non-executive Director of the seventh session of the Board of Directors of the Company, for a term commencing from the date on which his appointment was approved at the general meeting and ending on the expiry date of the seventh session of the Board of Directors.

3. *Performance of duties for the Year*

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

In 2021, the attendance of the Board meetings and general meetings by the Directors is as follows:

	Attendance of Board Meetings					Attendance of General Meetings
Name of Director	Required attendance in Board meetings during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Attendance in person/required attendance	Number of attendance/ meetings
Gan Yongyi	8	8	1	0	8/8	4/4
Li Wenhu	8	8	1	0	8/8	3/4
Liu Changsong	1	1	0	0	1/1	0/0
Ma Yonghan	8	8	1	0	8/8	4/4
You Zhiming	8	8	1	0	8/8	4/4
He Zhuqing	8	8	1	0	8/8	4/4
Li Chengyong	8	8	1	0	8/8	4/4
Yu Haizong	6	6	0	0	6/6	2/2
Liu Lina	8	8	1	0	8/8	4/4
Yan Qixiang	8	8	1	0	8/8	4/4
Bu Danlu	8	8	1	0	8/8	4/4
Yang Guofeng (Resigned)	5	5	1	0	5/5	3/3
Gao Jinkang (Resigned)	2	2	1	0	2/2	2/2

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

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

Apart from attendance of Board meetings with due diligence and performance of their duties with honesty, the independent non-executive Directors of the Company also held meetings with external auditors to discuss annual auditing issues in accordance with relevant requirements and guidance and provided independent opinions and recommendations to the Board in respect of material issues and connected transactions of the Group, and etc. During 2021, independent non-executive Directors, by means such as joining the Board and special committees, reviewed and provided independent opinions on material issues of the Company such as investment decisions, connected transactions, profit distribution and internal control, whereby the overall interest of the Company and the lawful interest of the Shareholders as a whole had been safeguarded and the healthy development of the Company had been promoted.

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

4. Remunerations of Directors and Supervisors

Until now, remunerations of the Directors, Supervisors (excluding Employee's Representative Supervisor(s)) and senior management of the Company are determined in accordance with relevant PRC policies or regulations, the Company's actual situation, and meanwhile taking his/her job responsibilities, risk assumed and contribution into consideration. The Board (considering the opinions of the Remuneration and Appraisal Committee) and the Supervisory Committee may make suggestions on the remunerations schemes for Directors and Supervisors (excluding Employee's Representative Supervisor(s)) and considered and approved at the general meeting; while the remunerations schemes for senior management shall be considered and approved by the Board (considering the opinions of the Remuneration and Appraisal Committee). The incentive (if any), individual awards (if any) and allowances for the aforesaid staff on his/her term of office should be determined by the Board as authorized by the general meeting, after giving consideration to the opinions of the Remuneration and Appraisal Committee. Information on the remunerations of Directors and Supervisors of the Company for 2021 is set out in note 8 to the financial statements of this annual report.

5. Independence of Directors

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

6. *Securities transactions by Directors*

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

7. *Director's liability insurance*

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

8. *Responsibility statement on financial statements by the Directors*

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

9. Chairman and General Manager

Mr. Gan Yongyi serves as the Chairman of the Company. The Chairman of the Board of Directors shall exercise the following powers: (1) to preside over shareholders' general meetings and to convene and preside over meetings of the board of directors; (2) to check on the implementation of resolutions of the board of the board of directors; (3) to sign the securities certificates issued by the Company; (4) to exercise other powers conferred by the board of directors.

Mr. Li Wenhu serves as the General Manager of the Company. The General Manager shall be accountable to the Board of Directors and exercise the following powers:(1) to be in charge of the Company's operation and management and to organise the implementation of the resolutions of the Board of Directors; (2) to organise the implementation of the Company's annual business plan and investment plan; (3) to propose plans for the establishment of the Company's internal management structure; (4) to propose the Company's basic management system;(5)to for mulate basic rules and regulations for the Company; (6) to propose to the Board of Directors the appointment or dismissal of the Company's deputy general manager(s) and financial controller;(7)to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors; (8) to determine rewards and punishments, promotion and demotion, increase and decrease of salaries, recruitment, appointment, termination of employment and dismissal of the staff and workers of the Company; (9) to, as authorised by the board of directors, represent the Company in important external business transactions; and (10) to exercise other powers conferred by these Articles of Association and the Board of Directors.

(III) Special Committees of the Board

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

Members of the committees shall be elected and appointed by the Board in accordance with the provisions under the detailed implementation rules for their respective committees.

The composition and duty performance of the committees during the period from 1 January 2021 to 31 December 2021 are set out as follows:

Name of Director	Role of Director	Audit Committee		Strategic Committee		Nomination Committee		Remuneration and Appraisal Committee	
		Member ("✓") Chairman ("*")	Number of attendance/ meeting	Member ("✓") Chairman ("*")	Number of attendance/ meeting	Member ("✓") Chairman ("*")	Number of attendance/ meeting	Member ("✓") Chairman ("*")	Number of attendance/ meeting
Gan Yongyi	Executive Director	–	–	*	1/1	✓	2/2	✓	2/2
Yu Haizong (Note)	Independent non-executive Director	–	–	✓	1/1	*	1/1	–	–
Liu Lina	Independent non-executive Director	✓	6/6	✓	1/1	–	–	*	2/2
Yan Qixiang	Independent non-executive Director	✓	6/6	–	–	✓	2/2	–	–
Bu Danlu	Independent non-executive Director	*	6/6	–	–	–	–	✓	2/2
Gao Jinkang (Note) (Resigned)	Independent non-executive Director	–	–	✓	0/0	*	1/1	–	–

Note: On 30 March 2021, Mr. Gao Jinkang, an independent director of the Company, tendered his written application for resignation to the Board for his personal work arrangement. As stipulated in the Articles of Association, the resignation of an independent Director shall become effective upon filling of vacancy by a succeeding independent Director. On 25 May 2021, as considered and approved by the Shareholders at the 2020 annual general meeting of the Company, Mr. Yu Haizong was elected as an independent Director of the seventh session of the Board of Directors of the Company for a term commencing from the date on which his appointment was approved at the general meeting and ending on the expiry date of the seventh session of the Board of Directors, and as considered and approved at the 13th meeting of the seventh session of the Board of Directors held thereafter, Mr. Yu Haizong was appointed as a member of the Strategic Committee and the chairman of the Nomination Committee. The resignation of Mr. Gao Jinkang also became effective on the same day.

1. Audit Committee

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

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

The committee hereby presents its work report during 2021 as follows:

Written Report of the Audit Committee

The Audit Committee convened 6 meetings in 2021 and 2 meetings in 2022 (as of the date of this annual report). Meetings of the Audit Committee were presided over by the chairman of the Audit Committee. All members of the committee attended the meetings in person. The external auditors and Supervisors, Secretary to the Board and Financial Controller of the Company were also invited to attend the meetings except for the eighth meeting of the seventh session of the Audit Committee, which was only attended by members of the Audit Committee and the external auditors. The major work completed by the Audit Committee during the said period is as follows:

– *Reviewing regular financial reports*

The Audit Committee is responsible for examining and supervising the integrity of the Company's financial statements, accounts and periodical reports, and reviewing significant financial reporting judgments contained in such statements and annual reports. In accordance with relevant procedures, the management is responsible for preparation of the Group's financial reports including adoption of appropriate accounting policies, the external auditors are responsible for auditing and verifying the Group's financial reports and evaluating the Group's internal control system, while the Audit Committee supervises the work of both the management and the external auditors and confirms the procedures and safeguard measures adopted by the management and external auditors. In reviewing these statements and reports before submission to the Board, the Audit Committee should focus particularly on any changes in accounting policies and practices, matters involving significant judgment, significant adjustments resulting from audit and the going concern assumptions, any qualified opinion and whether it is in compliance with relevant accounting standards and requirements concerning financial reporting under the Listing Rules and laws. The specific work includes:

(1) Reviewing the 2020 annual financial statements and unaudited financial statements for the first half year of 2021 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2021 (according to the PRC GAAP), and making approval suggestions to the Board.

(2) Before the annual audit of 2021, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2021 financial report of the Company and the report on annual audit plan from external auditors, and communicated on the audit scope, method, focus and specific scheduling for the Year.

(3) After completing audit and issuing preliminary audit opinions by external auditors, the Audit Committee convened the 2022 first meeting to discuss and communicate with the external auditors of the Company on relevant issues of the financial and accounting statements of the Company and the preliminary audit opinions of the auditors.

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

(5) The Audit Committee convened the 2022 second meeting to consider the 2021 annual audit report of the Company and considered that the Group's 2021 annual financial statements can truly and correctly reflect the operation results of the Group for the year 2021, and the financial position as of 31 December 2021. It recommended the Board to make approval.

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

The Audit Committee is responsible for assisting the Board in reviewing the effectiveness of the Group's risk management and internal control. During the Year, the Audit Committee inspected financial control, internal audit, risk management and the progress of internal control construction. No impropriety in respect of financial reporting, internal audit, risk management, internal control or other aspects that might occur has been brought to the attention of the Audit Committee by any employees of the Company. The Audit Committee earnestly reviewed the Group's financial and accounting policies and practices, the Internal Control Manual in areas such as the corporate-level control and business-level control, focused on the examination of the implementation of rectification for the general defects found in the 2020 Self-Assessment Report of Corporate Internal Control, and reviewed the effectiveness of the Group's internal control (including finance, operation, compliance control and risk management functions), and the resources and qualifications and experience of staff in respect of the Company's accounting and financial reporting functions and the sufficiency of training sessions for staff and relevant budgets. On this basis, the Audit Committee reviewed the 2021 Self-Assessment Report of Corporate Internal Control of the Company and was of the opinion that the report gave a comprehensive and objective view of the establishment and operation of the internal control system of the Company, and that the Company has established a relatively complete internal control system and is continuously optimizing and improving the system, which plays favorable supervision and guiding functions for the standard operation of the Company.

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

— *Work evaluation and re-appointment of auditors*

(1) The Audit Committee appraised the audit work and performance capacity of the Company's PRC auditor, Shinewing Certified Public Accountants (Special General Partnership) in 2021 from the following aspects:

a. Professional competence

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

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

b. Investor protection capacity

Shinewing has purchased occupational insurance that complies with relevant regulations and covers civil liability for compensation in accordance with the law for providing audit services. In 2021, the accumulative compensation limit for the occupational liability insurance purchased by Shinewing was RMB700 million. In the past three years, it has not assumed any civil liability in relevant civil lawsuits in its practice.

c. Independence and integrity of the project members

There is no circumstance in breaching the independence requirement under China Code of Ethics for Certified Public Accountants (《中國註冊會計師職業道德守則》) by Shinewing and its practitioners. In the past three years (2019 to 2021), Shinewing was subject to 12 regulatory measures by securities regulatory authorities, and was not subject to criminal punishment, administrative punishment and self-regulatory measures. Relevant matters did not have any impact on the provision of audit services to the Company by Shinewing.

The Audit Committee considered that Shinewing appointed by the Company as the PRC auditor of the Company for the year 2021 had good performance in terms of professional competence, investor protection capacity, independence and integrity, etc. The Board was recommended to re-appoint Shinewing as the PRC auditor of the Company for the year 2022.

(2) The Audit Committee considered that Ernst & Young Certified Public Accountants appointed by the Company as the international auditor for the year 2021 had good performance in terms of independence and objectivity, professional technical level, auditing quality and efficiency of financial information disclosure, communication results with the management and the Audit Committee, etc. The Board was recommended to re-appoint Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2022.

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

30 March 2022

2. Strategic Committee

The Company established the Strategic Committee in March 2012. The major responsibilities of the Strategic Committee include the planning of the long-term development strategies of the Company, conducting research and submitting proposals regarding material investment and financing plans that are subject to the approval of the Board in accordance with the Articles of Association of the Company, material capital operations, assets operation projects, and other material matters that may affect the Company's development, and carrying out examination on the implementation of the above matters, etc.

During the year, the Strategic Committee considered the Development Strategy Program (draft) of the Company's "14th Five-Year". "14th Five-Year" is a critical period of transforming and upgrading, the Company will follow the general idea of focusing on expressways, extending expressways and shifting away from expressways, and emphasize the optimization of main business, capital operation and management improvement. Focusing on the goal of "building a benchmark listed "A+H" expressway enterprise with top comprehensive strength and becoming a national first-class comprehensive highway investment and operation service provider", the Company has prepared the Development Strategy Program (draft) of the "14th Five-Year" to clarify the positioning and vision of the Company in the new era, medium and long-term development strategies, development ideas, business and functions that should be adhered to, and the corresponding strategic guarantee measures. The Strategy Committee unanimously agreed that the Development Strategy Program of the "14th Five-Year" was made based on the actual situation of the Company and agreed to the submitted Development Strategy Program (draft) of the "14th Five-Year" of the Company.

3. Nomination Committee

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

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

During the Year, the Nomination Committee discussed and reviewed the Implementation Rules of the Nomination Committee under the Board of Directors; the election of Directors to the Board, the appointment of senior management during the Reporting Period were proposed to the Board on the basis of taking the principle of diversity into consideration; the Nomination Committee also reviewed the structure, size and composition of the Board (including knowledge, skills and experience of its members). Upon discussion, members of the Company's Board of Directors have been diversified in terms of age, cultural and educational background, professional experience, skills and knowledge.

4. Remuneration and Appraisal Committee

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

During the Year, the Remuneration and Appraisal Committee carefully reviewed the service contracts proposed to be entered into in relation to the election of Directors to the Board, and submitted the remuneration suggestions to the Board by reference to market level and in combination of the actual situations of the Company and the candidates, which were approved by the Board. The Remuneration and Appraisal Committee also supervised and reviewed the implementation of the Company's remuneration system. It also conducted assessment and evaluation on the operation performance and sustainable professional development of the executive Directors and the management of the Company for 2021.

III. SUPERVISORY MECHANISM

(I) Supervisory Committee

As at 31 December 2021, the Supervisory Committee of the Company comprises 6 Supervisors, and is the seventh session of the Supervisory Committee since establishment of the Company. The term of office of Supervisors commenced from 13 November 2019 or the date of election of the Supervisors. Composition of the Supervisory Committee of the Company is set out in Section VIII "Profile of Directors, Supervisors, Senior Management and Employees" of this annual report.

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

The size and composition of the Supervisory Committee are in compliance with the requirements of the laws and regulations. During the Year, the Supervisory Committee convened 7 meetings in total. All Supervisors attended each committee meeting, all of whom supervised, on behalf of the Shareholders, the Company's financial affairs as well as the legality and compliance of the duties performed by Directors and senior management. During the Reporting Period, all members of the Supervisory Committee, except those with important business engagement, attended the meetings of the Board and general meetings as observers, and honestly performed the duties of the Supervisory Committee. The working details of the Supervisory Committee are set out in "Report of the Supervisory Committee" in this annual report.

(II) Risk Management and Internal Control

A comprehensive and practicable risk management and internal control system is a foundation for good corporate governance. The Board is responsible for the establishment and improvement of risk management and internal control system of the Company for the purposes of reviewing the relevant control procedures of finance, operation and regulation so as to protect the Shareholders' interest and the Company's assets. The Board approves the management to promote the internal control system and review its effectiveness through the Audit Committee. To more effectively review the operation and management of the Group and the effectiveness of its internal control system, the Company has set up the Internal Control and Audit Supervisory Department to introduce an independent internal audit system, and carry out analysis and independent assessment on the integrity and effectiveness of the Group's risk management and internal control system. During their work, the internal audit staff has the right to access the relevant information of the Company and inquire the relevant personnel. Manager of the Internal Control and Audit Supervisory Department reports the work results to the Audit Committee, and after review, the Audit Committee gives suggestions to the management of the Company, and follows up the implementation of the rectification plan. The Board has obtained the management's validation on the effectiveness of the Company's risk management and internal control system.

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

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

(III) Auditors

The financial statements included in the 2021 Annual Report of the Company were prepared in accordance with the PRC Accounting Standards for Business Enterprises and the Hong Kong Financial Reporting Standards, respectively, and have been audited by Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young Certified Public Accountants respectively. The statements by the auditors on their reporting and auditing responsibilities for the financial statements are set out in the independent auditors' report contained in this annual report.

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

	2021		2020	
Items(Note)	**Shinewing Certified Public Accountants (Special General Partnership)**	**Ernst & Young Certified Public Accountants**	Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
Fees for audit/review of financial statements	**1,300**	**2,010**	1,300	2,010
Audit fee of internal control	**300**		300	

The Company appoints its auditors at general meetings and the auditors appointed by the Company shall hold office until conclusion of the next annual general meeting. To dismiss any auditor during its term of office shall be subject to the consideration and approval at general meetings. Currently, the Audit Committee has discussed and assessed the professional qualification of Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants (Special General Partnership) and the annual audit for 2021 performed by them, and raised opinions and recommendations in respect thereof. The Audit Committee's proposals to re-appoint Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants (Special General Partnership) as the Company's international and PRC auditors for 2022 respectively were approved by the Board and will be presented at the 2021 AGM for consideration and approval.

(IV) Information Disclosure and Investor Relations

Information disclosure

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

During the Reporting Period, the Company released 4 periodic reports and 118 announcements concerning A Shares and 97 announcements concerning H Shares pursuant to the Listing Rules of the SSE and the Stock Exchange. Announcements concerning A Shares were published on the websites of the SSE and the Company as well as in China Securities Journal and Shanghai Securities News, while those concerning H Shares were published on the websites of the Stock Exchange and the Company. Details of all these announcements are available for inspection on http://www.sse.com.cn, http://www.hkex.com.hk or the Company's website http://www.cygs.com.

Investor relations

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

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

IV. CONCLUSION

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

REPORT OF THE DIRECTORS

The Board hereby presents its report and the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and carries out diversified operations which are highly relevant to our principal business. Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Particulars of the expressways managed and operated by the Group as at 31 December 2021 are as follows:

	Origin/destination	**Approximate length**	**Date of commencement of official operations of the toll expressway**
Chengyu Expressway	Chengdu/Sangjiapo	226km	7 October 1997
Chengya Expressway	Chengdu/Duiyan	144.2km	1 January 2000
Chengren Expressway	Jiangjia/Zhichanggou	106.613km	18 September 2012
Chengle Expressway	Qinglongchang/Guliba	86.44km	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10.35km	21 December 1998
Suixi Expressway *(Note1)*	Jixiang Town Fushanba/Taiping interchange	67.644km	9 October 2016
Suiguang Expressway *(Note1)*	Jinqiao interchange/Hongtudi interchange	102.941km	9 October 2016

Note:

1. Suixi Expressway and Suiguang Expressway obtained formal toll collection approval in 8 December 2021, with a toll collection period of 29 years and 336 days.

BUSINESS REVIEW

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

The business review conducted in accordance with other specified items in Schedule 5 includes major risks and uncertainties faced by the Group, major events that produced significant influences on the Group after the close of the financial year of 2021, the introduction of the relationships between the Group and its customers and suppliers, the compliance of the Group with influential laws and regulations as well as the environmental policies and performances of the Company, which were included in this "Report of the Directors".

PRINCIPLE RISKS AND UNCERTAINTIES OF THE COMPANY

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

1. Policy risks and the corresponding measures

(1) Policy risks

a. Adjustment to tolling policy

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

b. Restrictions on terms of operation

According to the provisions of the "Regulations on Administration of Toll Roads", the tolling terms for toll roads shall be reviewed and approved by the people's government of the relevant province, autonomous region or municipality in accordance with the relevant standards. The term of toll collection of operational roads in central and western provinces, autonomous regions or municipalities designated by the State shall not be longer than 30 years. According to the documents approved by relevant competent department of Sichuan Province, the terms of toll collections of the existing roads under management by the Group, such as Chengyu Expressway, Chengya Expressway, Chengbei Exit Expressway, Chengle Expressway, Chengren Expressway, Suixi Expressway and Suiguang Expressway, will expire in 2027, 2029, 2024, 2029, 2042, 2046 and 2046, respectively. Therefore, in the event that the toll collection terms of the Group's existing expressways expire and the Company has no other newly constructed or acquired operational expressway projects replenish in a timely manner, it will adversely affect the Company's sustainable profitability and operating results.

c. *Adjustment of fee collection method*

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

(2) Corresponding measures

For policy risks, on the one hand, the Company should take the initiative to strengthen communication with and report to the competent governmental departments, so as to receive the support from the government support and recognition of the society; on the other hand, the Company should strengthen its corporate strengths to improve its risk resistance ability. To this end, the Company will make investments in new projects with good development potential, and by means of roll development, to promote the continuous growth of the asset scale and operating performance of the Company. In addition, the Company will, in accordance with the principle of proactiveness and prudence, make full use of its own advantages in management and technology and other resources, strive to develop city operation, energy investments, financial investments, traffic technology and other businesses to actively study and make an attempt on the industries and businesses relevant to toll roads and core business of the Company, and to implement the diversified development strategy highly related to the principal businesses. In addition, upon the completion of the grid-connected switching of the toll system, the Company actively reported to and communicated with the business department and the settlement center, strengthened the upgrading of the toll system and continuously improved the operating process of system and regulations, so as to improve the modernization level of the operation and management of toll roads; the Company carried out a series of job-transfer training to toll-collection staff in a timely manner, and coordinated the deployment and completed the resettlement work properly on the basis of respecting the willingness of toll collectors and in combination with the actual situation of each company within the Group.

2. Market risks and the corresponding measures

(1) Market risks

a. Risks relevant to macroeconomic fluctuation

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

b. Risks relevant to road network changes

To accelerate the construction of comprehensive transport hub in western Sichuan province to build up full-fledged urban transport, the government and transportation authorities aim to establish a comprehensive and convenient road network through revision and improvement of plans and designs of regional road network as appropriate and the initiatives such as constructing new expressways and fast lines. According to the Planning of Sichuan Province Expressway Network (2022–2035) (《四川省高速公路網規劃(2022–2035年)》), the expressway mileage in the province will reach 20,000 kilometers (including 600 km of expansion double-line), of which 8,500 km will be national expressways, 11,500 km will be provincial expressways, and 1,700 km will be long-term prospects. During the Fourteenth Five-Year Plan period, Sichuan continued to speed up the construction of major passageways out of Sichuan and urban clusters, promoted the extension of expressways to ethnic areas, and promoted the expansion and renovation of important passageways with heavy traffic. After the implementation of the plan, by 2035, the provincial highway network will be formed with "efficient direct connection of the main axis, smooth access of the two wings, close connection of the three belts, and convenient connection of the three states", and the highway planning density will be increased to 4.11 kilometers per 100 square kilometers to better support economic and social development and fully meet the growing needs of the people for a better life. Meanwhile, the incremental stimulus generated by competitive or synergistic road network changes and short-term diversion and long-term network effects, to some extent will bring both positive or negative impact on the Group's expressways.

(2) Corresponding measures

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

3. Financial risks and the corresponding measures

(1) Financial risks

a. Potential tax risks

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

b. Financing risks

With the increase number of investment projects, the investment scale has maintained a rapid growth, the external financing needs of the Company has gradually become bigger. Under the current monetary policy, the borrowing costs from domestic commercial banks are relatively higher, and the borrowings are limited by the control of lending scale and investment direction from the banks. In order to meet future development needs and make full use of its own advantages as A+H shares listed companies, the Company continues exploring to construct a multi-level, multi-channel financing model, so to achieve maximum optimization of capital costs and financing structure. Besides, our efforts of exploring new financing methods and channels will inevitably involves a large number of previously unfamiliar regulatory policies, laws and regulations, and we may bear relevant risks if we lack of understanding.

(2) Corresponding measures

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

4. Management risks and the corresponding measures

(1) Management risks

a. Daily operational risks and natural disaster risks

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

b. Investment risks of expressway projects

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

(2) Corresponding measures

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

IN COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS

The business of the Group is mainly conducted by the subsidiaries of the Company in PRC. The Company is listed on the SSE and the Stock Exchange. Within the year of 2016, the Company successfully acquired 100% of the stake of CSI SCE (incorporated in Hong Kong), therefore, the Group shall comply with relevant laws and regulations in Mainland China, Hong Kong and the respective places of incorporation of the Company and its subsidiaries.

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

ENVIRONMENTAL POLICIES AND PERFORMANCES

The Board of the Company highly values the relevant environmental, social and governance ("ESG") matters, and approved and established the ESG work leading group. The Board supervises the matters related to ESG (including the ESG management principles, development strategies and relevant objective supervision) through the leading group.

The chairman of the Company shall be the leader of the leading group, the vice chairman, the general manager and chairman of the Supervisory Committee of the Company shall be the deputy leaders, the other members of the executives of the Company shall be the members of the leading group, and shall conduct comprehensive management over the ESG work of the Group:

- to review the update and prioritization of the Company's material issues and monitor the management of the issues;
- to consider the ESG-related risks and uncertainties faced by the Company;
- to review and approve ESG goal setting and continuously monitor progress towards achieving the goals.

The leading group has established the ESG office, the director of which shall be served by the director of the Board office of the Company, the members of which shall be comprised of the persons in charge of all departments of the parent company of the Company, primarily being responsible for and coordinating the specific matters and daily management of ESG works:

- to establish a complete ESG data ledger and conduct the quantitative and qualitative statistical analysis;
- to set up ESG work objective, and improve ESG performance;
- to complete ESG work conclusion and data archiving of relevant businesses;
- to guide the implementation of the relevant ESG works of the branches and all subsidiaries;
- to report the works to the leading group.

In addition, the persons in charge of branches and all subsidiaries under the Company shall be the first responsible person of their respective ESG works. The branches and all subsidiaries shall establish the corresponding governance structure and comprehensively strengthen the ESG works with reference to the governance structure of ESG work of the parent company of the Company.

The "Environmental, Social and Governance Report" required by the Listing Rules of the Stock Exchange has been published by the Company on 30 March 2022. Details about the environmental policy and performances, please refer to the "2021 Environmental, Social and Governance Report".

CHARITABLE DONATION

During the reporting period, the Group had no funds and materials for charity and social benefit.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the financial conditions of the Company and the Group at that date are set out in the audited financial statements on pages 127 to 134 herein.

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

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

The Board has recommended a final cash dividend for the year 2021 of RMB0.11 per share of ordinary shares (tax inclusive), aggregating to approximately RMB336,387,000 and representing 39.63% of the distributable profit of the Company determined under PRC GAAP for the year and 18.00% of the profit attributable to owners of the Company as shown in the consolidated financial statements.

In accordance with the requirements of the SSE listing rules, the Company is required to disclose the reasons for the cash dividend accounting for less than 30% of the profit attributable to owners of the company (18.00%) for the year. The specific reasons are explained below.

(1) Industry and characteristics of the listed company

China's transportation industry is developing rapidly, the mileage of expressways opened to traffic continues to increase, the national expressway network has been basically completed, and the development of the expressway industry has entered a relatively mature stage. However, at present, expressways are still at the peak stage of expansion of construction scale and improvement of highway level, which is a golden period of infrastructure development, improvement of service level and transformation and development. In particular, in 2021, the central government upgraded the Chengdu-Chongqing region to one of the "four poles" of the national comprehensive three-dimensional transportation network, which significantly improved the strategic position and radiation driving force of the Chengdu-Chongqing dual circle.

(2) Development stage of the listed company and its own business model

On one hand, the Company maintains the expressway segment as its main and core business, proactively integrates itself into the national and provincial transportation development strategies, coordinates and advances the projects under construction and proposed projects, adheres to the concept of the integration of "investment, financing, construction, management, maintenance and transportation", strictly control whole life cycle costs, pays close attention to the operating sections inside and outside the province, and steadily replenishes quality road assets to ensure high-quality and sustainable development of the main business; On the other hand, the Company steadily expands relevant diversified fields. Based on the transportation network and gateway hub, focusing on the new demand and new consumption, the Company transforms the front-end resource chain into the back-end value chain of projects, products and services, strengthens and expands the road area economy, refines and specializes in technology business, makes better and more sound investment business, and expands the chain and capacity to expand into new areas of diversification.

(3) Capital Requirements of the Company

At present, some projects are still under construction, and there is a large demand for self-owned capital investment. The Company needs more funds to ensure the smooth implementation of the Company's projects under construction and invest in the main business steadily.

(4) The Exact Use of the Retained Undistributed Profits of the Listed Company and the Estimated Earnings

The retained undistributed profits of the Company are mainly used for investment in the main business areas. In 2022, the Company is facing certain financial pressure under the huge construction expenditures of Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project. The Company needs to retain part of the profits to meet its development needs, which is also beneficial to the long-term interests of the Shareholders.

The proposed dividend distribution is subject to the approval of the Shareholders at the Company's forthcoming 2021 AGM. If approved, the final dividend is expected to be paid on or around Thursday, 14 July 2022 to the Shareholders whose names appear on the H Shares register of members of the Company on Tuesday, 14 June 2022 (the "Dividend Entitlement Date"). In respect of the arrangement in relation to the closures of H Shares register of members for the purposes of determining the Shareholders' entitlement to attend the 2021 AGM and to receive the proposed 2021 final dividend, please refer to the paragraph headed "CLOSURES OF REGISTER OF MEMBERS OF H SHARES" below.

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

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

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

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

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

DISTRIBUTION OF DIVIDENDS TO INVESTORS UNDER SOUTHBOUND TRADING LINK

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

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

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

SUMMARY FINANCIAL INFORMATION

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

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Profit before tax	**2,288,196**	991,607	1,463,539	1,205,912	1,310,527
Income tax expense	**(337,180)**	(257,710)	(330,250)	(304,086)	(329,373)
PROFIT FOR THE YEAR	**1,951,016**	733,897	1,133,289	901,826	981,154
Other comprehensive income/ (loss), net of tax	**203,171**	(76,590)	6,552	(12,635)	1,903
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,154,187**	657,307	1,139,841	889,191	983,057
Profit attributable to:					
Owners of the Company	**1,870,856**	674,809	1,086,131	849,638	894,376
Non-controlling interests	**80,160**	59,088	47,158	52,188	86,778
	1,951,016	733,897	1,133,289	901,826	981,154
Comprehensive income attributable to:					
Owners of the Company	**2,074,891**	596,805	1,092,098	837,030	896,279
Non-controlling interests	**79,296**	60,502	47,743	52,161	86,778
	2,154,187	657,307	1,139,841	889,191	983,057

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**40,647,497**	40,404,381	37,860,574	36,035,058	34,265,735
TOTAL LIABILITIES	**(22,199,036)**	(23,870,700)	(21,706,606)	(21,150,659)	(19,981,022)
NON-CONTROLLING INTERESTS	**(1,083,466)**	(998,647)	(876,070)	(392,793)	(390,639)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**17,364,995**	15,535,034	15,277,898	14,491,606	13,894,074

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB5,994,133,000. The Company's distributable reserves as at 31 December 2021 determined under HK GAAP were lower than those determined under PRC GAAP. In addition, in accordance with the Company Law of the PRC, the Company's share premium account, in the amount of RMB2,654,601,000 may be distributed in the form of bonus shares.

MAJOR CUSTOMERS

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

SERVICE VENDORS

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

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

No.	**Name**	**Purchase** *RMB'000*	**Percentage over the total annual** *(%)*
1	Sichuan Transportation Construction Engineering Co., Ltd.	1,319,359	17
2	PetroChina Company Limited Sichuan Sales Chengdu Branch, Ziyang Branch and etc.	946,978	12
3	Finance Bureau of Qionglai, Sichuan Province	300,000	4
4	Sinopec Sales Company Limited (中國石化銷售股份有限公司)	250,088	3
5	Sinopec Sichuan and Chongqing Co., Ltd. (中化石油川渝有限公司)	169,401	2
Total		**2,985,826**	**38**

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

As at 31 December 2021, the Directors and Supervisors of the Company were:

Executive Directors:

Mr. Gan Yongyi *(Chairman)*
Mr. Li Wenhu *(Vice Chairman, General Manager)*
Madam Ma Yonghan
Mr. You Zhiming *(Deputy General Manager)*
Mr. He Zhuqing

Non-executive Directors:
Mr. Liu Changsong *(Vice Chairman)* [(1)]
Mr. Li Chengyong

Independent Non-executive Directors:
Mr. Yu Haizong [(2)]
Madam Liu Lina
Mr. Yan Qixiang
Madam Bu Danlu

Supervisors:
Mr. Luo Maoquan
Mr. Ling Xiyun
Mr. Wang Yao
Madam Gao Ying
Madam Li Tao
Madam Lu Xiaoyan [(3)]

Notes:

(1) Mr. Liu Changsong served as the Vice Chairman and non-executive Director of the Company since 8 December 2021.

(2) Mr. Yu Haizong served as the independent non-executive Director of the Company since 25 May 2021.

(3) Madam Lu Xiaoyan served as the supervisor of the Company since 31 March 2021.

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

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

Each of the Directors of the Company has entered into a service contract with the Company from their respective date of appointment for a term of three years. None of the Directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MAJOR CONTRACTS

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

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, interests and short positions held by Directors, Supervisors and chief executives of the Company in Shares, underlying shares or bonds of the Company or its associated corporation (as defined in Part XV of the SFO) that, by virtue of Parts 7 and 8 of the SFO, which shall be reported to the Company and the Stock Exchange (including interests and short positions, by virtue of the SFO or other regulations, deemed to be or treated as held by these directors, supervisors and chief executives); or any interests or short positions that shall be recorded in the register required to be kept under Section 352 of the SFO; or interests or short positions that, by virtue of Model Code as set out in Appendix 10 to the Listing Rules, shall be notified to the Company and the Stock Exchange, are as follows:

Name	Class of Shares	Long position/ Short position	Number of the Company's Shares held	Approximate percentage in the total share capital of the Company	Approximate percentage in A/H Shares	Capacity
Gan Yongyi	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Luo Maoquan	A Shares	Long position	10,000	0.0003%	0.0005%	Beneficial owner

MANAGEMENT CONTRACTS

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

DIRECTORS' REMUNERATION

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

INDEMNITY PROVISION

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

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

As at 31 December 2021, the following interests and short position of the Shares and underlying shares of the Company held by substantial Shareholders or other persons (other than the Directors, Supervisors and chief executives of the Company) were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

Name	Class of Shares	Long position/ Short position	Number of the Company's Shares held	Approximate percentage in the total share capital of the Company	Approximate percentage in A/H Shares	Capacity
STIG	A Shares	Long Position	1,035,915,462	33.87%	47.90%	Beneficial owner
	H Shares	Long Position	60,854,200	1.99%	6.80%	Beneficial owner
		Total:	1,096,769,662	35.86%	–	Beneficial owner
China Merchant Expressway Company	A Shares	Long Position	664,487,376	21.73%	30.72%	Beneficial owner
	H Shares	Long Position	96,458,000	3.15%	10.77%	Interest in controlled corporation(Note)
		Total:	760,945,376	24.88%		

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

Save as disclosed above, as at 31 December 2021, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

CONTINUING CONNECTED TRANSACTIONS

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

(a) On 24 December 2010, the Company and Sichuan Zhineng Transportation System Management Company Limited ("Zhineng Company"), entered into a service agreement, in relation to provision of a computer system on expressways network toll fee collection and technological services to the expressways of the Company, with a service charge of 0.4% of toll income for a term of 3 years from 1 January 2011 to 31 December 2013. On 11 December 2013, the Company renewed the service agreement with Zhineng Company for a term of 3 years from 1 January 2014 to 31 December 2016, with a service charge of 0.4% of toll income or RMB15,000,000 per annum, whichever is lower. On 13 December 2016, the Company renewed the service agreement with Zhineng Company for a term of 2 years from 1 January 2017 to 31 December 2018, with a service charge of 0.4% of toll income or RMB15,000,000 per annum, whichever is lower. On 29 November 2018, the Company renewed the service agreement with Zhineng Company for a term of 3 years from 1 January 2019 to 31 December 2021, with a service charge of 0.4% of toll income or RMB25,000,000 per annum, whichever is lower. During the year, the Group paid a total of approximately RMB14,175,000 (2020: RMB12,393,000) to Zhineng Company as service fee.

(b) On 1 October 2010, the Company entered into a one year tenancy agreement with Shudao Group whereby the Company leased out a certain part of its office buildings to Shudao Group at an annual rental of RMB2,035,000. The tenancy agreement was extended at the same annual rental for another one year when the first tenancy agreement expired on 1 October 2011, and was extended at RMB2,442,000 per annum to 1 October 2016 since 1 October 2012. On 1 October 2016, the tenancy agreement was extended at RMB2,442,000 per annum to 1 October 2017. On 1 October 2017, the tenancy agreement was extended at RMB2,442,000 per annum to 1 October 2018. On 1 October 2018, the tenancy agreement was extended at RMB2,442,000 per annum to 1 October 2019. On 1 October 2019, the tenancy agreement was extended at RMB2,442,000 per annum to 31 December 2021. During the year, the rental received from Shudao Group amounted to RMB1,221,000 (2020: RMB2,442,000).

(c) On 7 November 2019, the Company and Shudao Group entered into continuing connected transactions – Construction Framework Agreement ("Previous Construction Framework Agreement"). As the Previous Construction Framework Agreement entered into between the Company and Shudao Group expired on 31 December 2020, the Company and Shudao Group entered into a construction framework agreement on 19 November 2020, pursuant to which, Shudao Group and its subsidiaries (other than the Group) contracted certain construction services from the Group for the period from 1 January 2021 to 31 December 2021. Connected party transaction amounts recognised in this year are as below:

During the year, Shudao Group was engaged by the Group to undertake various construction work of expressways and ancillary facilities; daily maintenance work of expressways and ancillary facilities; emergency or rescue works of expressways and ancillary and municipal construction works. Construction revenue recognised during the year amounted to RMB1,441,828,000 (2020: RMB1,359,012,000), which was below the annual cap amount of RMB2,985,000,000.

As the Previous Construction Framework Agreement entered into between the Company and Shudao Group on 19 November 2020 and expired on 31 December 2021, the Company and Shudao Group entered into a construction framework agreement on 16 November 2021, pursuant to which, Shudao Group and its subsidiaries (other than the Group) shall contract certain construction services from the Group for the period from 1 January 2022 to 31 December 2022.

(d) On 27 December 2018, the Company and PetroChina Sichuan Sales Branch entered into the Refined Oil Agreement. Connected party transaction in this year is as below:

Pursuant to the Refined Oil Agreement entered into between the Company and PetroChina Company Limited Sichuan Sales Branch (中國石油天然氣股份有限公司四川銷售分公司), Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2019 to 31 December 2019. On 31 December 2019, the Company and PetroChina Sichuan Sales Branch agreed to renew the transaction terms. Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2020 to 31 December 2020. On 28 December 2020, the Company and PetroChina Sichuan Sales Branch agreed to renew the transaction terms. Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2021 to 31 December 2021, with the annual cap being RMB1,400,000,000. Purchase amount recognised during the year approximate to RMB946,978,000 (2020: RMB806,070,000), which was below the cap amount of RMB1,400,000,000. PetroChina Company Limited Sichuan Sales Branch is a subsidiary of PetroChina Company Limited (中國石油天然氣股份有限公司), which holds 49% equity interest in Zhonglu Energy.

(e) On 26 August 2016, Renshou Landmark Company and Sichuan Trading Real Estate entered into Sales Agency Framework Agreement ("Previous Sales Agency Framework Agreement"), and had the following continuing connected transactions: Pursuant to the Sales Agency Framework Agreement entered into between Renshou Landmark and Sichuan Trading Real Estate, Renshou Landmark agreed to entrust Sichuan Trading Real Estate to conduct marketing planning for the North Town Times Project for the year from 26 August 2016 to 31 December 2018. As the Previous Sales Agency Framework Agreement would expire on 31 December 2018, Renshou Landmark Company and Sichuan Trading Real Estate renewed the Sales and Promotion Agency Framework Agreement on 27 December 2018. Sichuan Trading Real Estate have agreed to serve as the sales agent and promotion agent for the North Town Times Project of Renshou Landmark Company from 1 January 2019 to 8 December 2021. The annual caps for the three financial years ending 31 December 2019, 2020 and 2021 are RMB45,000,000, RMB80,000,000 and RMB80,000,000 respectively. Sales commission recognised during 2021 amounted to RMB15,694,000 (2020: 26,991,000), which was below the cap amount of RMB80,000,000 for the year. Sichuan Trading Real Estate is an indirect wholly-owned subsidiary of Shudao Group.

CONNECTED TRANSACTIONS

Further details of the Group's connected transactions during the year are included in note 38 to the financial statements.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of material events after the Reporting Period are set out in Note 43 to the financial statements, which forms part of the Report of the Directors.

AUDITORS

For the year ended 31 December 2021, Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young acted as auditors of the Company. The Company has not changed its auditors in the past three years.

Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young retire and a resolution for their reappointment as domestic and international auditors of the Company will be proposed at the forthcoming 2021 AGM. Auditors' remuneration is set out in note 7 to the financial statements.

CLOSURES OF REGISTER OF MEMBERS OF H SHARES

For the purposes of determining the Shareholders' entitlement to attend the 2021 AGM and to receive the 2021 final dividend, the H Shares register of members of the Company will be closed during the following periods:

(a) In respect of attending and voting at the 2021 AGM

Deadline for lodging transfer documents	4:30 p.m. on 17 May 2022 (Tuesday)
Closure period of the H Shares register of members	From 18 May 2022 (Wednesday) to 25 May 2022 (Wednesday) (both days inclusive)
Record date	25 May 2022 (Wednesday)
Date of the 2020 AGM	25 May 2022 (Wednesday)

(b) In respect of the entitlement to 2020 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 7 June 2022 (Tuesday)
Closure period of the H Shares register	From 8 June 2022 (Wednesday) to 14 June 2022 (Tuesday)
Dividend Entitlement Date	14 June 2022 (Tuesday)

In order to be entitled to attend and vote at the 2021 AGM, and to receive the 2021 final dividend of the Company, H shares Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates are lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before the time above designated for lodging transfer documents.

Shareholders are advised that the Company will make separate announcement on the SSE in respect of details of the arrangements regarding the distribution of 2021 final dividend to the holders of A Shares and eligibility of the holders of A Shares for attending the 2021 AGM.

ON BEHALF OF THE BOARD

Gan Yongyi
Chairman

Chengdu, Sichuan Province, the PRC
30 March 2022

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FOR THE YEAR

Name	Gender	Age	Length of services with the Company	Position during the Reporting Period	Total remuneration *(RMB0'000)* *(before tax)*
Gan Yongyi	Male	58	From March 2001 to present	Chairman, Executive Director	76.74
Li Wenhu	Male	44	From November 2019 to present	Vice Chairman, Executive Director and General Manager	74.67
Liu Changsong	Male	44	From December 2021 to present	Vice Chairman, Non-executive Director(1)	0
Ma Yonghan	Female	42	From June 2020 to present	Executive Director	63.43
You Zhiming	Male	49	From November 2019 to present	Executive Director, Deputy General Manager	62.93
He Zhuqing	Male	45	From December 2013 to present	Executive Director	62.93
Li Chengyong	Male	41	From November 2019 to present	Non-executive Director	0
Liu Lina	Female	64	From July 2016 to present	Independent Non-executive Director	8
Yu Haizong	Male	57	From May 2021 to present	Independent Non-executive Director(2)	4.8
Yan Qixiang	Male	50	From November 2019 to present	Independent Non-executive Director	8
Bu Danlu	Female	43	From November 2019 to present	Independent Non-executive Director	8
Luo Maoquan	Male	56	From December 2006 to present	Chairman of Supervisory Committee	69.07
Ling Xiyun	Male	57	From November 2019 to present	Supervisor	0
Wang Yao	Male	49	From November 2019 to present	Supervisor	0
Gao Ying	Female	33	From June 2020 to present	Supervisor	0
Li Tao	Female	50	From November 1997 to present	Supervisor	60.62
Lu Xiaoyan	Female	44	From January 1998 to present	Supervisor (3)	36.52

Notes:

(1) Mr. Liu Changsong has served as the Vice Chairman, Non-executive Director of the Company since 8 December 2021.
(2) Mr. Yu Haizong has served as the Independent Non-executive Director of the Company since 25 May 2021.
(3) Ms. Lu Xiaoyan has served as the Supervisor of the Company since 31 March 2021.

Name	Gender	Age	Length of services with the Company	Position during the Reporting Period	Total remuneration (RMB0'000) (before tax)
Liu Junjie	Male	57	From February 2009 to present	Deputy General Manager	62.93
Zhang Yongnian	Male	59	From August 1997 to present	Secretary to the Board [4]	65.24
Guo Renrong	Male	49	From October 2017 to present	Financial Controller [4]	62.93
Heibilayi	Male	36	From September 2019 to present	Deputy General Manager	62.93
Peng Chi	Male	52	From June 2020 to present	Deputy General Manager	62.93
Liu Dong	Male	49	From July 2020 to present	Chief Engineer	62.93
Yang Guofeng (resigned)	Male	50	From June 2020 to October 2021	Vice Chairman, Non-executive Director	0
Gao Jinkang (resigned)	Male	58	From November 2019 to May 2021	Independent Non-executive Director	3.2
Hu Yaosheng (resigned)	Male	45	From February 2004 to March 2021	Supervisor	12.13
Tian Yi (resigned)	Male	54	From December 2014 to December 2021	Secretary of Discipline Inspection Commission	66.76
Luo Zuyi (resigned)	Male	48	From April 1998 to December 2021	Member of the Party Committee	10.49

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

Note:

(4) On 22 March 2022, Mr. Zhang Yongnian resigned as the Secretary to the Board (company secretary) and the authorised representative of the Company for matters relating to the Hong Kong Listing due to work arrangement. On 30 March, the Company convened the 21st meeting of the seventh session of the Board, at which Mr. Guo Renrong, the Financial Controller of the Company, was appointed to act as the Secretary to the Board of the Company until the date when the newly appointed Secretary to the Board officially takes office.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 30 March 2021, Mr. Gao Jinkang, an independent director of the Company, tendered his written application for resignation to the Board for his personal work arrangement. As stipulated in the Articles of Association, the resignation of an independent Director shall become effective upon filling of vacancy by a succeeding independent Director.

On 31 March 2021, Mr. Hu Yaosheng, a staff Supervisor of the Company, resigned as the staff Supervisor of the Company due to personal work adjustment; and as approved at the staff representative meeting held on the same day, Ms. Lu Xiaoyan was elected as a staff representative Supervisor of the seventh session of the Supervisory Committee of the Company.

On 25 May 2021, as considered and approved by the Shareholders at the 2020 annual general meeting of the Company, Mr. Yu Haizong was elected as an independent Director of the seventh session of the Board of Directors of the Company for a term commencing from the date on which his appointment was approved at the general meeting and ending on the expiry date of the seventh session of the Board of Directors. The resignation of Mr. Gao Jinkang as an independent Director became effective on the same day. As considered and approved at the thirteenth meeting of the seventh session of the Board of Directors held subsequently, Mr. Yu Haizong was appointed as a member of the Strategic Committee and the chairman of the Nomination Committee. As a result of the aforesaid adjustments, the members of the Strategic Committee of the seventh session of the Board of Directors consisted of Mr. Gan Yongyi, Mr. Yu Haizong and Madam Liu Lina with Mr. Gan Yongyi acting as the chairman of the Strategic Committee. The members of the Nomination Committee of the seventh session of the Board of Directors consisted of Mr. Yu Haizong, Mr. Gan Yongyi and Mr. Yan Qixiang, with Mr. Yu Haizong acting as chairman of the Nomination Committee.

On 11 October 2021, Mr. Yang Guofeng tendered his written application for resignation as a Director and the Vice Chairman of the seventh session of the Board of Directors of the Company due to his personal work arrangement, which took effect upon the delivery of the resignation letter to the Board of the Company in accordance with the Articles of Association.

On 8 December 2021, as considered and approved at the 2021 third extraordinary general meeting of the Company, Mr. Liu Changsong was elected as a non-executive Director of the seventh session of the Board of Directors of the Company, with a term of office from the date of approval at the general meeting to the expiry date of the seventh session of the Board of Directors. As considered and approved at the 18th meeting of the seventh session of the Board of Directors convened on the same day, Mr. Liu Changsong was elected as the vice Chairman of the Board of Directors.

On 23 December 2021, the Communist Party of CPC Sichuan Expressway Company Limited notified the removal of Mr. Luo Zuyi as a member of the Party Committee of the Company.

On 31 December 2021, the Communist Party of CPC Sichuan Expressway Company Limited notified the removal of Mr. Tian Yi as a member of the Party Committee and the secretary of the discipline inspection committee of the Company.

On 8 March 2022, the Communist Party of CPC Sichuan Expressway Company Limited notified the removal of Mr. Chen Yangbo as the secretary of the discipline inspection committee of the Company.

On 22 March 2022, Mr. Zhang Yongnian resigned as the Secretary to the Board and the authorised representative of the Company for matters relating to the Hong Kong Listing due to personal work change. On 30 March, the Company convened the 21st meeting of the seventh session of the Board, at which Mr. Guo Renrong, the Financial Controller of the Company, was appointed to act as the Secretary to the Board of the Company until the date when the newly appointed Secretary to the Board officially takes office.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Mr. Gan Yongyi, aged 58, graduated from Chongqing Jiaotong College with a bachelor degree in civil engineering of road and bridge transportation and from Sichuan University with a master degree in management and engineering. He is a first-class architect and a professor-level senior engineer. He once worked in Division I and Division VI of Sichuan Bridge Engineering Company Limited (四川省橋樑工程公司) as deputy chief, chief of Division VI as well as the deputy manager of Sichuan Bridge Engineering Company Limited. He also served as the manager of the Bridge Branch of Sichuan Road & Bridge Group (四川路橋集團橋樑分公司), deputy general manager of Sichuan Road & Bridge Co., Ltd., deputy general manager, deputy Chairman and general manager of the Company. Mr. Gan is currently a vice chairman of Airport Expressway Company, an executive Director, Chairman and legal representative of the seventh session of the Board of the Company.

Mr. Li Wenhu, aged 44, graduated from Southwestern University of Finance and Economics with a MBA degree. He is an accountant, a senior economist and a certified public accountant. He has worked at Xitieshan Mining Bureau of China National Non Ferrous Metal Corporation, successively serving as the chief accountant of Hubei Hanjiang Branch of Western Mining, the director of the Financial Department of Laohekou Hanjiang Branch of Western Mining, the person in charge of the Financial Department of Sichuan Xiasai Silver Co., Ltd.* (四川夏塞銀業有限責任公司), Sichuan Huidong Daliang Mining Co., Ltd.* (四川會東大梁礦業有限公司) and Bayannur Western Mining Co., Ltd. of Western Mining* (西部礦業巴彥淖爾西部銅業有限公司), the deputy chief of the Financial Management Department (Fund Management Center) of STIG and the person in charge of Interim Working Group for Advancing Reform of STIG; and the financial controller of the Company, a director of Chengyu Financial Leasing Company and CSI SCE, the chairman and legal representative of Chengyu CCB Fund Company (成渝建信基金公司), the chief of the Investment and Development Department and Capital Operation Department, the director of the Office of Investment Review Committee of STIG. He is currently the chairman and legal representative of Sichuan Trading Investment and Development Company Limited* (四川交投創新投資發展有限公司), a director of Shandong Hi-Speed Road and Bridge Co., Ltd. (山東高速路橋集團股份有限公司) and Shanghai-Hangzhou Railway Passenger Dedicated Lines Co., Ltd. (滬杭鐵路客運專線股份有限公司), the general manager of the Company, the executive Director and Vice Chairman of the seventh session of the Board of the Company.

Mr. Liu Changsong, aged 44, graduated from Cranfield University in the United Kingdom with a master degree in business administration. He was the deputy director of office, deputy director of office for board of directors, deputy director of Confidential Office, vice head of Logistics and Shipping Department of China Merchants Group Limited. Mr. Liu was a member of CPC Committee, deputy general manager, secretary to the board of directors and director of the office for board of directors of Sinotrans & CSC Holdings Co., Ltd. He served as the secretary to the board of directors of China National Foreign Trade Transportation (Group) Corporation and he also served as the director of office for board of directors. Mr. Liu was the deputy general manager of Sinotrans Logistics Investment Holdings Co., Ltd. He is currently a director and general manager of China Merchants Expressway Network & Technology Holdings Co., Limited. He is also the chairman of Guizhou Jinguan Highway Co., Ltd, chairman of Guizhou Jinhua Highway Co., Ltd, chairman of Guizhou Pantao Highway Co., Ltd., chairman of Guizhou Yunguan Highway Co., Ltd., an executive director and the general manager of China Merchants Expressway Network & Technology (Beijing) Holdings Co., Limited, an executive director and the general manager of China Merchants Expressway Network & Technology (Shenzhen) Holdings Co., Limited and chairman of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd, chairman of Guogao Cyberspace Information Technology Co., Ltd., chairman of China National Radio Media Limited Liability Company, a director of Xingyun Shuju (Beijing) Technology Co., Ltd., a director of Xinshijie (Beijing) Technology Co., Ltd., and a non-executive Director and deputy chairman of the seventh session of the Board of Director of the Company.

Madam Ma Yonghan, aged 42, graduated from Sichuan University, majoring in political economy in the School of Economics and administrative management in the School of Public Administration of Sichuan University, with a master's degree. She is a senior economist. She has served as the deputy secretary of the Youth League Committee and the deputy director of the Party Committee office of Sichuan Expressway Construction and Development, the deputy director of the party committee and affairs department (黨群工作部) (the discipline inspection and supervision office) and the deputy director of the mass organization department (群團工作部) of STIG, the director of the party committee office of Sichuan Expressway Construction and Development and the director, the secretary of the Youth League Committee and the vice chairwoman of the labour union under the mass organization department of STIG. She currently serves as an executive Director of the seventh session of the Board of the Company.

Mr. You Zhiming, aged 49, successively graduated from Neijiang Teachers College* (內江師範專科學校) and the Party School of Sichuan Provincial Committee of the Chinese Communist Party with a postgraduate degree, and is a political engineer* (政工師). He successively served as a teacher and the secretary of the League Committee of Jiajia High School of Jianyang City, the deputy secretary and the secretary of Jianyang Municipal Committee of the Communist Youth League of China, the secretary of the Party Committee of Pingquan Town of Jianyang City, a cadre of Ziyang Urban Planning and Development Bureau, the chief of the Village and Town Construction Section and the Urban-rural Planning and Management Section, the director of the Municipal Surveying and Mapping Office, the deputy director of the Management Committee of Ziyang Economic Development Zone of Sichuan, the deputy chief executive, a standing member of the District Committee, the chief of the Organization Department and the principal of the Party School of the Yanjiang District Government of Ziyang City, the director and the secretary of the Leading Party Members' Group of Ziyang Supply and Marketing Cooperatives, and the chief of the Organization Department (Human Resources Department, United Front Work Department) of Party Committee of STIG, the director of the Office of the Remuneration and Appraisal Committee of Sichuan Transportation Investment Group Corporation Limited. He currently serves as the chairman, legal representative of Chengbei Company, the deputy general manager of the Company, and an executive Director of the seventh session of the Board of the Company.

Mr. He Zhuqing, aged 45, graduated from Xi'an Jiaotong University with a doctoral degree in Management and is an associated researcher. Mr. He once served in Changqing Petroleum Exploration Bureau (長慶石油勘探局) and Post-Doctoral Research Center of China Merchants Group (招商局集團博士後工作站). He once served as the general manager of Investment and Development Department of China Merchants Expressway Network & Technology Holdings Co., Ltd., a director of Hubei Chutian Expressway Company Limited (湖北楚天高速公路股份有限公司) and CSI SCE, the executive Director and deputy general manager of the Company, the head of the overseas business department of STIG, a director of Chengyu Private Equity Fund Management Co., Ltd.* (成渝私募基金公司), a chairman and legal representative of Zhongxin Company and a chairman and legal representative of Chengyu Financial Leasing Company. He currently serves as an executive Director of the seventh session of the Board of the Company.

Mr. Li Chengyong, aged 41, graduated from the department of finance and economics of Chongqing Jiaotong College with a bachelor's degree and is a senior accountant. He has successively serves as the head of the Finance Department of Chengdu Municipal Development Company* (成都市市政開發總公司), deputy chief of the Planning and Finance Section of Chengdu Urban Road and Bridge Management Office* (成都市城市道路橋樑管理處), business executive of the Asset Management and Audit Department and the deputy director of Financial Management Department (fund management center) of STIG. He currently acts as a director of Sichuan Transportation Investment Innovation Development Co., Ltd* (四川交投創新投資發展有限公司), the deputy director of Financial Management Department (fund management center) of Shudao Group and a non-executive Director of the seventh session of the Board of the Company.

Madam Liu Lina, aged 64, successively graduated from Chengdu Institute of Education* (成都教育學院), Renmin University of China, holds a bachelor's degree and is a senior economist, a senior engineer and a senior policy advisor. She has successively served as a secretary of Discipline Inspection Committee and the general manager of Chengdu Industrial Equipment and Installation Company Limited* (成都市工業設備安裝公司), a deputy secretary of Party Committee of Chengdu City Construction Investment Group Co., Ltd.* (成都城建投資集團公司) and a director, secretary of Discipline Inspection Committee and deputy general manager of Chengdu Construction Engineering Group Corporation. She currently serves as an independent non-executive Director of the seventh session of the Board of the Company.

Mr. Yu Haizong, aged 57, graduated from Southwestern University of Finance and Economics with a bachelor's degree, a master degree in economics (accounting) and a doctor degree in management (accounting). He is a certified public accountant (non-practising) in the PRC, a senior member of the Accounting Society of China, vice-president of Chengdu Real Estate and Accounting Association (成都房地產會計學會) and accounting professor. He successively served as an independent director of Sichuan Jiuzhou Electronic Co., Ltd. and an independent Directors of the Company. He is currently a professor in the School of Accounting of Southwestern University of Finance and Economics, as well as an independent director of China Vanadium Titano Magnetite Mining Company Limited, an independent director of Chengdu Haoneng Technology Co., Ltd., an independent director of HitGen Inc., and a non-executive Director of the seventh session of the Board of Director of the Company.

Mr. Yan Qixiang, aged 50, successively graduated from Sichuan University and Southwest Jiaotong University, holds a doctor degree and possesses postdoctoral experience, and is a professor and doctoral supervisor. He currently serves as the director of the Department of Geotechnical Engineering of Southwest Jiaotong University, an executive deputy director of the Key Laboratory of Transportation Tunnel Engineering of Ministry of Education, and an independent non-executive Director of the seventh session of the Board of the Company.

Madam Bu Danlu, aged 43, graduated from Southwestern University of Finance and Economics with a doctor degree, and is a professor, doctoral supervisor, certified public accountant and certified tax agent. She was selected into the fifth National Leading Accounting Talents Program of the Ministry of Finance (Academic), and a member of the first and the second Consulting Committee of Corporate Accounting Standard of the Ministry of Finance. She has successively served as a lecturer and an associated professor of Southwestern University of Finance and Economics. She currently acts as a professor of the School of Accounting of Southwestern University of Finance and Economics, an independent director of Chengdu Raise Environmental Protection Technology Co., Ltd* (成都銳思環保技術股份有限公司), an independent director of Sichuan Nitrocell Co., Ltd. and Hangzhou Huaxing Chuangye Communication Technology Co., Ltd. (杭州華星創業通信技術股份有限公司), and an independent non-executive Director of the seventh session of the Board of the Company.

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

Mr. Luo Maoquan, aged 56, graduated from the Faculty of Law of Sichuan University, majoring in law. He has served as officer of the Policy Research Office of the SPDT, deputy office chief, chief, head of the human resources division, member of the sub-group of party committee, deputy director, secretary of the sub-group of party committee, commander of the Sichuan Chengmian (Le) Expressway Construction Directorate, the director of Transportation Construction Company and Chengbei Company, the general manager of Chengya Branch, the director of Chengya Oil Company and the executive Directors and deputy general manager of the seventh session of the Board of the Company. He is currently the chairman of the seventh session of the Supervisory Committee of the Company.

Mr. Ling Xiyun, aged 57, graduated from the Department of Marine Transportation Management of Shanghai Maritime University with a Bachelor Degree and is a senior accountant. He successively served as the deputy director (in charge) and director of Finance Department of Sichuan Chengnan Expressway Limited Liability Company* (四川成南高速公路有限責任公司), the manager of Finance Department of Sichuan Chengnan Expressway Limited Liability Company, the manager of Finance Department of Sichuan Chengnan Expressway Limited Liability Company (the Centre Zone of Sichuan), the chief accountant of Sichuan Zhineng Transportation System Management Company Limited* (四川智能交通系統管理有限公司) and the deputy head of Financial Finance Assets Department and the deputy head (in charge) and head of Asset Audit Department, the head of Audit and Legal Department and the office director and employee supervisor of Internal Control & Audit Committee of STIG. He is currently the chief accountant of Shudao Group and a Supervisor of the seventh session of the Supervisory Committee of the Company.

Mr. Wang Yao, aged 49, successively graduated from Faculty of Chinese Language of Sichuan University and the Law School of the Southwest University of Finance and Economics with a Master Degree. He successively served as the chief of Secretarial Division of Administrative Office, the deputy director and the director of Administrative Office, the manager of Human Resources Department of Sichuan Expressway Construction and Development, the head of Supervisor Works Department and the head of Internal Control and Legal Supervisor Works Department of STIG. He is currently the head of the Internal Control and Legal Affairs of Shudao Group, the supervisor of Sichuan Transportation Construction Engineering Co., Ltd. and a Supervisor of the seventh session of the Supervisory Committee of the Company.

Ms. Gao Ying, aged 33, obtained a bachelor's degree. She has served as securities affairs manager of the office of secretary to the board of directors of North China Expressway Company Limited* (華北高速公路股份有限公司). She is currently the senior manager of the capital operation department (office of the board of directors) of China Merchants Expressway Network and Technology Holdings Co. Ltd., and the supervisor of Fujian Expressway Development Co., Ltd. (福建發展高速公路股份有限公司) and Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司) and a Supervisor of the seventh session of the Supervisory Committee of the Company.

Madam Li Tao, aged 50, successively graduated from Sichuan Normal University with a Bachelor of Arts degree and from Sichuan University of Economy and Trade with an MBA degree. She worked at Sixth Engineering Office of Sichuan Chuanjiao Bridge Engineering Company Limited (四川省川交橋樑工程有限責任公司). She successively served as the deputy secretary and secretary of Youth League Committee, and the director of the Party Committee Office, the General Manager's Office and the General Office (Publicity Center) of the Company. She currently serves as a supervisor of Chengle Company, a staff Supervisor of the seventh session of the Supervisory Committee and Chairman of the labour union of the Company.

Ms. Lu Xiaoyan, aged 49, graduated from the Road Engineering Department of Chongqing Jiaotong College (now renamed as Chongqing Jiaotong University), majoring in highway and urban road engineering, with a bachelor's degree in engineering. She worked in the Chengyu Expressway Management Office, the Longquan Mechanized Maintenance Office and the Investment Department of the Company. She has successively served as the deputy head of the Investment Department of the Company, the head of the Investment and Development Department of the Company and the head of the Investment and Development Department (Research Center) of the Company. She currently serves as a staff Supervisor of the seventh session of the Supervisory Committee of the Company, a director of Sichuan Zhonglu Energy Company Limited and a supervisor of Chengdu Shuhai Investment Management Company Limited.v

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

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

Mr. Li Wenhu, please refer to the biographies of Directors.

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

Mr. You Zhiming, please refer to the biographies of Directors.

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

Mr. Liu Junjie, aged 57, graduated from Sichuan Suining Normal School, Northern Sichuan Education College (majoring in Biology) and the Department of Industrial Economics of Graduate School of Chinese Academy of Social Science. He holds a master's degree and the title of a senior political worker (高級政工師). He has served as the deputy chief of the general section of the Committee Office of Ganzi Prefecture, deputy secretary, principal staff member and deputy director of the Committee Office of Aba Prefecture, director of the inspection division of the Committee of Aba Prefecture, deputy mayor of Xiangtang County, deputy secretary of the County Committee of Lixian County, deputy head of the Bureau of Water Resources of Aba Prefecture, deputy director of the Safety Supervision and Management Office of the SPDT and a director of Trading Property Company (previously known as Trading Landmark Company). He is currently a director of Transportation Construction Company, a director, the chairman and legal representative of Multimodal United Transportation Company, and the Deputy General Manager of the Company.

Mr. Guo Renrong, aged 49, holds a Master's degree in engineering in software engineering of Beijing Institute of Technology and is a senior accountant. He was the cashier, accountant, chief of finance, secretary of the Communist Youth League branch of Panzhihua Traffic Mechanization Engineering Company (攀枝花交通機械化工程公司); the accountant, chief accountant, deputy director of Financial Department of Northern Sichuan Expressway Co., Ltd.; the deputy director of the Financial Department, deputy manager and manager of the Financial Division of Sichuan Guangba Expressway Co., Ltd. (四川廣巴高速公路有限責任公司); the deputy director of Financial Management Department (fund management center) of STIG; deputy secretary of the Party Committee, the deputy general Manager (in charge of daily work) of Sichuan Transportation Investment Industrial & Financial Company Limited (四川交投產融控股有限公司) and chairman, legal representative of Shenyinwanguo Transportation Investment Industrial & Financial In-vestment Management Company Limited (申銀萬國交投產融投資管理公司), the chairman of the Risk Control Committee of Zhongxin Company. He is currently a supervisor of the Second Session of the Supervisory Committee and the Financial Controller and director of the committee of the Sichuan Listed Company Association, a director of Chengyu Financial Leasing Company and CSI SCE, the Financial Controller and Director of the Fifth Session of Trade Union Funds Review Committee of the Company, acting as the Secretary to the Board of the Company (until the date when the newly appointed Secretary to the Board officially takes office).

Mr. Heibilayi, aged 36, graduated from Southwest University of Finance and Economics with a bachelor's degree in law. He worked in Chengdu Branch of Pudong Development Bank and served as assistant to the president of Kehua Branch of Pudong Development Bank, vice president and president of Tianfu Branch of Pudong Development Bank and a member of Standing Committee and the vice head of Yuechi County. He is currently the deputy general manager of the Company.

Mr. Peng Chi, aged 52, holds a master's degree and is a senior engineer. He has served as the secretary of the cement road office of the Transportation Bureau of Longchang County of Sichuan, head of Road Section of Chengyu Expressway Longchang Management Section of Sichuan Expressway Administration Bureau, deputy director of the fund management center of the Company, the chief of the Division three of the mechanical maintenance and the secretary of the Party Committee of the Company, deputy general manager of Sichuan Shugong Expressway Engineering Company Limited, the director of Neijiang Management Department of the Company, the standing deputy commander of the expansion construction department of Chengle Expressway, the general manager of Chengya Branch of the Company. He is currently the deputy general manager of the Company.

Mr. Liu Dong, aged 49, successively graduated from Tongji University majoring in Highway and Urban Road and Southwest Jiaotong University (西南交通大學) majoring in engineering in architecture and civil engineering, obtained a master's degree and is a senior engineer. He has successively served as the deputy director of the head supervisors' office of the Engineering Construction Headquarters of Guangyuan Section of National Highway 108, the deputy director, chief engineer and director of the engineering division of Reconstruction Headquarters of Langmushi Temple to Chuanzhushi Temple Highway of National Highway 213, the office director of the Engineering Construction Headquarters of Chenganyu Expressway, the director, deputy chief engineer and deputy general manager of Engineering Division of Chengren Branch of the Company, the deputy general manager of Suiguang Suixi Expressway Company Limited and Chengle Expressway. He is currently the chief engineer of the Company.

Mr. Chen Yangbo, aged 43, is a senior policy officer. He successively graduated from Southwest University of Political Science & Law and Party School of Sichuan Provincial Committee of the Chinese Communist Party. He has served as the deputy section chief of the Third Scientific Research Division of the Party History Research Office of Sichuan Provincial Committee, the deputy section chief of the standing committee office of the general office of Sichuan Provincial Committee, the section chief of the standing committee office of the general office of Sichuan Provincial Committee, the deputy researcher of the standing committee office of the general office of Sichuan Provincial Committee, and the deputy director of the general office of STIG. He is currently the chairman and legal representative of Sichuan Zitong Expressway Co., Ltd., the chairman and legal representative of Sichuan Lezitong Expressway Co., Ltd. and the Secretary of Discipline Inspection Commission of the Company.

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

Mr. Yang Guofeng, aged 50, a doctoral candidate and a senior engineer. He has served as a deputy director of the highway construction division and a deputy director of the highway management division of the Ministry of Transport, the director of the maintenance and smooth guarantee division of the Department of Transport, the director of the Rural Highway Department, the deputy inspector of the Highway Bureau of the Ministry of Transport, a senior director of China Merchants Expressway Network and Technology Holdings Co. Ltd., the chairman and general manager of Guogao Network and Information Technology Co. Ltd. (國高網路宇信息技術有限公司), the director of Xingyun Shuju (Beijing) Technology Co., Ltd. (行雲數聚(北京)科技有限公司), the director and general manager of China Merchants Traffic Information Technology Co., Ltd. (招商局交通信息技術有限公司). He currently serves as the director of China Merchants New Intelligence Technology Company Limited* (招商新智科技有限公司), Chairman and legal representative of China National Radio Media Limited Liability Company (央廣交通傳媒有限責任公司). On 11 October 2021, He resigned as a non-executive Director and Vice Chairman of the seventh session of the Board of the Company.

Mr. Gao Jinkang, aged 58, successively graduated from Southwest University of Political Science & Law and Southwestern University of Finance and Economics, holds a doctor degree and is a professor and doctoral supervisor. He has successively served as a deputy director and director of the Department of Law and the dean of the School of Law of Southwestern University of Finance and Economics. He is currently the director of the China Financial Law Research Center, the Sichuan Provincial Key Research Base of Philosophy and Social Sciences, Southwest University of Finance and Economics. On 25 May 2021, he resigned as an independent non-executive Director of the seventh session of the Board of the Company.

Mr. Hu Yaosheng, aged 45, successively graduated from the Department of Economic Management of Beijing Jiaotong University with a bachelor's degree in transport economics and from the School of Public Administration of Sichuan University with a master's degree in public administration. He is an economist. He once worked at the research office of transport economics and the financial department of the China Academy of Transportation Science. He currently serves as a supervisor of Shunan Company and the chairman of the Supervisory Committee of Renshou Trading Landmark Company and Multimodal United Transportation Company, the head of the Discipline Inspection Department and Internal Control & Audit Supervisory Department of the Company and a staff Supervisor of the seventh session of the Supervisory Committee of the Company. On 31 March 2021, he resigned as a staff Supervisor of the seventh session of the Supervisory Committee of the Company.

Mr. Zhang Yongnian, aged 59, graduated from the Faculty of Law of Sichuan University. He has served as judicial officer of the People's Court of Emeishan City, Sichuan Province, deputy chief of the Criminal Judicial Tribunal, deputy chief of the Chengyu Expressway's Long Quan Management Office, deputy head of Road Section of Chengyu Expressway Management Office, deputy head of the Policy and Regulation Division of the Expressway Administration Bureau of the SPDT, director of Shuhai Company, the office chief of the board of directors of the Company, and a Director of the Company. He is currently a director of Airport Expressway Company. On 22 March 2022, he resigned as the Secretary to the Board of the Company.

Mr. Tian Yi, aged 54, graduated from Kunming Army College and Macau University of Science and Technology with MBA Degree, a master of Provincial Party School majoring in law, and a senior political worker (高級政工師). Mr. Tian Yi was the guard platoon leader of a frontline command of Chengdu Military Command, secondary battalion grade secretary of a materials purchasing and supply station of the Logistics Department of Chengdu Military Command, deputy section chief and section chief of the Department of Finance of Sichuan Province, section chief and deputy head of the State-owned Assets Supervision and deputy secretary of Discipline Inspection Commission of the Company, a supervisor of Chengyu Financial Leasing Company, a supervisor of Airport Expressway Company and the Secretary of Discipline Inspection Commission of the Company. As at 31 December 2021, he resigned as the Secretary of Discipline Inspection Commission of the Company.

Mr. Luo Zuyi, aged 48, holds an EMBA master degree from University of Electronic Science and Technology of China, and is a political engineer. He has successively served as the deputy general manager of Sichuan Jiuzhaihuanglong Airport Co., Ltd. (四川九寨黃龍機場有限公司), general manager of Chengyu Branch, an executive director of Chengle Company, the chairman and legal representative of Sichuan Trading Landmark Co., Ltd. and a member of the Party Committee of the Company. As at 23 December 2021, he resigned as a member of the Party Committee of the Company.

IV. EMPLOYEES

As at 31 December 2021, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,366
Number of in-service employees of major subsidiaries	1,837
Total number of in-service employees	4,203
Number of retired or resigned employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	None

Composition by Expertise

Type of Expertise	Number of people
Production	2,937
Sales	36
Technical	542
Financial	132
Administrative	556
Total	4,203

Educational Level

Type of Education Level	Number of people
Postgraduate	197
University graduate	1,360
Junior college graduate	1,729
Technical secondary school and below	917
Total	4,203

1. Employees' Remuneration

The total remuneration of the Company's employees is correlated with the operating results of the Company. Employees' salaries are determined based on their positions and performance. For the year ended 31 December 2021, the employees' salary of the Group totalled approximately RMB564,345,900 of which approximately RMB312,572,800 for the employees of the Company (including its branches).

2. Employees' Insurance and Welfare

The Company cherishes employees and protects their lawful interests, has improved various types of social insurance for employees in strict compliance with all applicable PRC labor security policies. Expenses for various types of social insurances for retirement, healthcare (including maternity insurance), unemployment, work related in-jury, supplementary critical illness mutual insurance, supplementary pension insurance, supplementary medical insurance, employer liability insurance have been paid in full by the Company for the employees. Meanwhile, the Company has made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

3. Staff Training

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard of its staff. During the Reporting Period, the Company had organised various centralized and specific trainings such as job-specific skills for technicians and continuing education for professional technical staff. A total of 28,800 attendances of the Company's employees (including its branches) was recorded for the above training courses.

REPORT OF THE SUPERVISORY COMMITTEE

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

I. WORK OF THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee held 7 meetings in total. The notices, convening, holding and resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles of Association. Details of the meetings are as follows:

Meeting of the Supervisory Committee	Meeting Date	Topics
The 9th meeting of the seventh session of the Supervisory Committee	30 March 2021	1. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2020
		2. Resolution in relation to the Scheme of Profit Distribution and Dividend Payment for 2020
		3. Resolution in relation to the 2020 annual financial budget implementation report
		4. Resolution in relation to the 2020 domestic and overseas annual reports and their summaries
		5. Resolution in relation to the 2020 Internal Control Evaluation Report
		6. Resolution in relation to the 2020 Internal Control Audit Report
		7. Resolution in relation to the 2020 Environmental, Social and Governance Report
		8. Resolution in relation to the 2021 Annual Financial Budget
		9. Resolution in relation to the re-appointment of Shinewing Certified Public Accountants as the domestic auditor of the Company for the year 2021
		10. Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the overseas auditor of the Company for the year 2021

Meeting of the Supervisory Committee	Meeting Date	Topics	
The 10th meeting of the seventh session of the Supervisory Committee	29 April 2021	1.	Resolution in relation to the 2021 First Quarter Report
		2.	Resolution in relation to change of accounting policy
The 11th meeting of the seventh session of the Supervisory Committee	16 August 2021	1.	Resolution in relation to the transfer of 91% equity interest in Renshou Landmark and the relevant shareholder loan
		2.	Resolution in relation to the transfer of property assets by Shuhong Company
The 12th meeting of the seventh session of the Supervisory Committee	26 August 2021	1.	Resolution in relation to the unaudited financial report for the six months ended 30 June 2021 and 2021 interim report and its summary
		2.	Resolution in relation to not distributing any interim dividend and not transferring capital reserve into share capital in 2021
The 13th meeting of the seventh session of the Supervisory Committee	20 October 2021	1.	Resolution in relation to the Company's participation in the issue of shares by Sichuan Road & Bridge to all shareholders of Communications Construction Company and payment of cash to purchase assets
The 14th meeting of the seventh session of the Supervisory Committee	28 October 2021	1.	Resolution in relation to the 2021 Third Quarterly Report
		2.	Resolution in relation to the signing of the Construction Connected Transaction Framework Agreement between the Company and Shudao Investment
The 15th meeting of the seventh session of the Supervisory Committee	8 December 2021	1.	Resolution in relation to the signing of Sale and Purchase of Refined Oil Product Connected Transaction Framework Agreement between the Group and PetroChina Sichuan

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

In 2021, the attendance of the meetings of the Supervisory Committee and general meetings by the Supervisors is as follows:

	Attendance of meetings of the Supervisory Committee					Attendance of general meetings
Name of Supervisor	Required attendance in the meetings of the Supervisory Committee during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Number of attendance/ required attendance in the meetings	Number of attendance/ number of meeting
Luo Maoquan	7	7	1	0	7/7	4/4
Ling Xiyun	7	7	1	0	7/7	4/4
Wang Yao	7	7	1	0	7/7	4/4
Gao Ying	7	7	1	0	7/7	4/4
Li Tao	7	7	1	0	7/7	4/4
Lu Xiaoyan	6	6	1	0	6/6	3/3
Hu Yaosheng (Resigned)	1	1	0	0	1/1	1/1

Number of meetings of the Supervisory Committee held during the Year		7
Of which:	Number of physical meetings	1
	Number of meetings held via communications	1
	Number of meetings held by way of combination of both	5

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

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

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

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

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

Having cautiously reviewed the Company's 2021 First Quarterly Results Report, Interim Results Report, Third Quarterly Results Reports, Annual Results Report and other accounting information, etc, the Supervisory Committee is of the opinion that the Company's financial income and expenditure accounts are clear and the accounting, auditing and financial management are all in line with relevant regulations without doubts. The Company's PRC and international auditors, Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young Certified Public Accountants have respectively audited the 2021 Annual Financial Reports of the Company under the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, and have issued audit reports with standard unreserved opinions. The Supervisory Committee is of the view that the audit reports have reflected the actual situations of the Company's financial income and expenditure, operating results and cash flows.

IV. OPINIONS FROM THE SUPERVISORY COMMITTEE ON THE BOARD'S SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

In order to implement the "Basic Rules for Internal Control of Enterprises" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the fundamental guidelines for corporate internal control, the Company fully and practically launched the construction of corporate internal control system since the second half of 2010. During the Reporting Period, all internal control tasks were carried out as scheduled and the internal control system of the Company was further improved. Through making self-assessment of the effectiveness of the design and implementation of the Company's internal control as at 31 December 2021, the Board had issued the 2021 Assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2021 Assessment Report on Internal Control issued by the Board, and considered that the report comprehensively and objectively reflected the establishment and operation of the Company's internal control system. The Company has established a relatively comprehensive internal control system and is continuously optimizing and enhancing it, and has kept the standard operation of the Company under good supervision and guidance.

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

Save for the connected transactions disclosed in note 38 to the financial statements, the Company had no other connected transactions during the Reporting Period. In the opinion of the Supervisory Committee, the Company's connected transactions during the Reporting Period were conducted on a just, fair and open basis and at reasonable considerations, and no circumstances were discovered in which insider transactions were involved or the Board breached the principle of good faith in decision-making, execution of agreements or information disclosure, etc.

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

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

OPINION

We have audited the consolidated financial statements of Sichuan Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 240, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables and loans to customers	
As at 31 December 2021, the Group had trade receivables and loans to customers aggregating to approximately RMB4,580,974,000. Management performed periodic assessment on the recoverability of the trade receivables and loans to customers and the sufficiency of provision for impairment based on information including the credit profile of different customers, ageing, historical settlement records of trade receivables, subsequent settlement status, the expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses ("ECL") for the impairment assessment. Management has performed ECL analysis and concluded that an ECL allowance of RMB103,605,000 should be required as at 31 December 2021. The accounting policies and disclosures about the impairment assessment for trade receivables and loans to customers are included in notes 2.4, 3, 18, 26 and 41 to the financial statements.	Our audit procedures to assess the impairment of trade receivables and loans to customers included the following: • We assessed and tested the design and operating effectiveness of the internal controls over the credit approval and monitoring process and impairment assessments, including the ECL model; • We obtained corroborative evidence including correspondence indicating any disputes between the parties involved and attempts by management to recover the amounts outstanding, and reports on the credit status of significant counterparties where available; • We assessed the ECLs provisioning methodology, examined the key data inputs on a sample basis to assess their accuracy and completeness, and assessed the assumptions, including both historical and forward-looking information used to determine the expected credit losses, analysed the customers' historical payment patterns and checked bank receipts for the payments received subsequent to the year end; and • We assessed the adequacy of the disclosures regarding the impairment provisions of trade receivables and loans to customers and the Group's exposure to credit risk in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Amortisation of service concession arrangements	
Amortisation of service concession arrangements is calculated under the unit-of-usage method ("UOP"), based on the share of traffic volume in a particular period over the total projected traffic volume throughout the service concession period. The projection of the total traffic volume involves significant management judgement and estimation, including the expected gross domestic product ("GDP") growth rate and the impact of other road networks within the same area. The accounting policies and disclosures about the assessment on the amortisation of service concession arrangements are included in notes 2.4, 3 and 13 to the financial statements.	Our audit procedures included the following: • We evaluated the estimated projected total traffic volume of the Group's expressways under service concession arrangements by focusing our analysis on management's key assumptions used in the estimates of the projected total traffic volume such as the GDP growth rate, the impact of other road networks within the same area and historical accuracy of management's estimates and assessed whether these estimates showed any evidence of management bias; • We interviewed the Group's senior management and obtained an understanding of their process associated with the review of the projected traffic volume against actual traffic volume; • We considered whether the amortisation methodology adopted by the Group best represented the expected future economic benefits of the Group; • We verified the actual traffic volume and compared it with the projected traffic volume to evaluate whether any adjustment of the projected volume is required; • We re-measured the amortisation of the Group's service concession arrangements to verify the accuracy of the amount in the financial statements; and • We assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Company's Annual Report is expected to be made available to us after the date of this auditor's report.

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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hsu Lung Wu.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
REVENUE	4, 5	**8,830,296**	8,198,610
Cost of sales		**(6,696,983)**	(6,472,202)
Gross profit		**2,133,313**	1,726,408
Other income and gains	5	**1,153,472**	306,606
Administrative expenses		**(367,385)**	(352,994)
Other expenses		**(88,042)**	(62,241)
Finance costs	6	**(583,565)**	(632,911)
Share of profits and losses of:			
Joint ventures	15	**13,628**	14,110
Associates	16	**26,775**	(7,371)
PROFIT BEFORE TAX	7	**2,288,196**	991,607
Income tax expense	9	**(337,180)**	(257,710)
PROFIT FOR THE YEAR		**1,951,016**	733,897
Attributable to:			
Owners of the Company		**1,870,856**	674,809
Non-controlling interests		**80,160**	59,088
		1,951,016	733,897
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income/(loss):			
Changes in fair value		**237,748**	(90,906)
Income tax effect		**(34,577)**	14,316
		203,171	(76,590)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**203,171**	(76,590)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,154,187**	657,307

	Notes	2021 RMB'000	2020 RMB'000
Attributable to:			
Owners of the Company		**2,074,891**	596,805
Non-controlling interests		**79,296**	60,502
		2,154,187	657,307
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	11	**RMB0.612**	RMB0.221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**710,177**	764,036
Service concession arrangements	13	**29,368,853**	27,657,591
Right-of-use assets	14	**366,747**	416,724
Investments in joint ventures	15	**137,169**	137,926
Investments in associates	16	**305,001**	289,127
Equity investments designated at fair value through other comprehensive income	17	**449,055**	281,883
Loans to customers	18	**1,419,757**	1,291,105
Long term compensation receivables	19	**3,351**	14,353
Payments in advance	20	**550,980**	–
Contract assets	25	**31,000**	10,000
Contract costs		**–**	18,227
Deferred tax assets	21	**15,738**	31,014
Interests in land held for property development	22	**–**	156,303
Restricted deposits	28	**38**	36,027
Total non-current assets		**33,357,866**	31,104,316
CURRENT ASSETS			
Properties under development	23	**–**	1,587,314
Completed properties held for sale	23	**–**	969,986
Inventories	24	**63,069**	48,989
Loans to customers	18	**1,382,359**	1,018,472
Trade and other receivables	26	**2,004,388**	2,441,430
Contract assets	25	**–**	21,000
Contract costs		**–**	17,040
Financial assets at fair value through profit or loss	27	**417**	494
Pledged deposits	28	**–**	15,000
Cash and cash equivalents	28	**3,837,070**	3,180,340
Restricted deposits	28	**2,328**	–
Total current assets		**7,289,631**	9,300,065
CURRENT LIABILITIES			
Tax payable		**119,012**	136,478
Trade and other payables	30	**1,841,903**	3,297,114
Contract liabilities	29	**–**	911,363
Dividend payables		**–**	29,434
Interest-bearing bank and other borrowings	31	**1,469,173**	4,560,204
Derivative financial instruments	32	**2,548**	–
Total current liabilities		**3,432,636**	8,934,593
NET CURRENT ASSETS		**3,856,995**	365,472
TOTAL ASSETS LESS CURRENT LIABILITIES		**37,214,861**	31,469,788

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**18,513,140**	14,000,093
Deferred tax liabilities	21	**12,995**	5,441
Contract liabilities	29	**–**	657,856
Deferred income	30	**240,265**	272,717
Total non-current liabilities		**18,766,400**	14,936,107
Net assets		**18,448,461**	16,533,681
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	**3,058,060**	3,058,060
Reserves	34	**14,306,935**	12,476,974
		17,364,995	15,535,034
Non-controlling interests		**1,083,466**	998,647
Total equity		**18,448,461**	16,533,681

Gan Yongyi
Director

Li Wenhu
Director

	Attributable to owners of the Company												
	Issued capital *RMB'000* *(note 33)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 34(a))*	Difference arising from changes in non-controlling interests *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000*	General risk reserve *RMB'000* *(note 34(d))*	Merger difference *RMB'000* *(note 34(b))*	Safety fund reserve *RMB'000* *(note 34(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2019 and 1 January 2020	3,058,060	2,654,601	5,417,299	(254,570)	90,628	990	(533,123)	8,471	32,820	4,802,722	15,277,898	876,070	16,153,968
Profit for the year	–	–	–	–	–	–	–	–	–	674,809	674,809	59,088	733,897
Other comprehensive income for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	(78,004)	–	–	–	–	–	(78,004)	1,414	(76,590)
Total comprehensive income for the year	–	–	–	–	(78,004)	–	–	–	–	674,809	596,805	60,502	657,307
Transfer from/(to) reserves	–	–	383,917	–	–	–	–	–	–	(383,917)	–	–	–
Establishment for safety fund reserve	–	–	–	–	–	–	–	5,874	–	(5,874)	–	–	–
Establishment for general risk reserve	–	–	–	–	–	4,238	–	–	–	(4,238)	–	–	–
Utilisation of safety fund reserve	–	–	–	–	–	–	–	(2,923)	–	2,923	–	–	–
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	97,200	97,200
Increase of capital reserve by way of capitalisation of retained profits	–	–	–	–	–	–	–	–	962,318	(962,318)	–	–	–
Dilution of investments in an associate	–	–	–	–	–	–	–	–	(3,282)	–	(3,282)	–	(3,282)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(35,125)	(35,125)
Final 2019 dividend paid *(notes 10)*	–	–	–	–	–	–	–	–	–	(336,387)	(336,387)	–	(336,387)
At 31 December 2020	3,058,060	2,654,601*	5,801,216*	(254,570)*	12,624*	5,228*	(533,123)*	11,422*	991,856*	3,787,720*	15,535,034	998,647	16,533,681

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2021

	Attributable to owners of the Company												
	Issued capital *RMB'000* *(note 33)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 34(a))*	Difference arising from changes in non-controlling interests *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000*	General risk reserve *RMB'000* *(note 34(d))*	Merger difference *RMB'000* *(note 34(b))*	Safety fund reserve *RMB'000* *(note 34(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2020 and 1 January 2021	3,058,060	2,654,601	5,801,216	(254,570)	12,624	5,228	(533,123)	11,422	991,856	3,787,720	15,535,034	998,647	16,533,681
Profit for the year	–	–	–	–	–	–	–	–	–	1,870,856	1,870,856	80,160	1,951,016
Other comprehensive income for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	204,035	–	–	–	–	–	204,035	(864)	203,171
Total comprehensive income for the year	–	–	–	–	204,035	–	–	–	–	1,870,856	2,074,891	79,296	2,154,187
Transfer from/(to) reserves	–	–	591,697	–	–	–	–	–	–	(591,697)	–	–	–
Establishment for safety fund reserve	–	–	–	–	–	–	–	5,281	–	(5,281)	–	–	–
Establishment for general risk reserve	–	–	–	–	–	44,741	–	–	–	(44,741)	–	–	–
Utilisation of safety fund reserve	–	–	–	–	–	–	–	(2,497)	–	2,497	–	–	–
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	3,009	3,009
Increase of capital reserve by way of capitalisation of retained profits **	–	–	–	–	–	–	–	–	136,154	(136,154)	–	–	–
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income *(note 17)*	–	–	–	–	(21,739)	–	–	–	–	21,739	–	–	–
Disposal of a subsidiary *(note 35)*	–	–	–	–	–	–	–	–	–	–	–	34,134	34,134
Deemed disposal of investment in a joint venture	–	–	–	–	–	–	–	–	(285)	–	(285)	–	(285)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(31,620)	(31,620)
Final 2020 dividend paid *(notes 10)*	–	–	–	–	–	–	–	–	–	(244,645)	(244,645)	–	(244,645)
At 31 December 2021	3,058,060	2,654,601*	6,392,913*	(254,570)*	194,920*	49,969*	(533,123)*	14,206*	1,127,725*	4,660,294*	17,364,995	1,083,466	18,448,461

* These reserve accounts comprise the consolidated reserves of RMB14,306,935,000 (2020: RMB12,476,974,000) in the consolidated statement of financial position.

** Pursuant to the shareholders' resolution of Sichuan Chengle Expressway Company Limited ("Chengle Company") dated 2 August 2021, it was resolved to increase the capital reserve of Chengle Company by RMB136,154,000 through the capitalisation of retained profits.

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,288,196**	991,607
Adjustments for:			
Finance costs	6	**583,565**	632,911
Share of profits and losses of joint ventures and associates		**(40,403)**	(6,739)
Fair value loss on financial assets at fair value through profit or loss and derivative financial instruments	7	**2,618**	89
Gain on disposal of financial assets at fair value through profit or loss	5	**(240)**	(3,468)
Depreciation of property, plant and equipment	12	**93,273**	91,977
Depreciation of right-of-use assets	14	**61,931**	61,029
Amortisation of service concession arrangements	13	**802,374**	771,348
Foreign exchange gains, net	5	**(1,598)**	–
Reversal of impairment of completed properties held for sale	23	**–**	(3,917)
Impairment loss on loans to customers	7	**52,359**	–
Impairment loss on financial assets included in other receivables	7	**1,839**	(13,587)
Impairment loss on trade receivables	7	**736**	50,510
Loss on disposal of items of property, plant and equipment	7	**307**	2,576
Loss on disposal of items of service concession agreements	7	**2,269**	–
Interest income	5	**(141,711)**	(172,221)
Gain on disposal of a subsidiary	35	**(899,409)**	–
Dividend income from equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss	5	**(7,014)**	(10,981)
		2,799,092	2,391,134
Additions to service concession arrangements		**(2,500,606)**	(2,931,715)
Decrease/(increase) in properties under development		**(208,018)**	442,620
Decrease/(increase) in completed properties held for sale		**459,626**	(811,719)
Increase in loans to customers		**(544,898)**	(143,982)
Decrease/(increase) in restricted deposits		**6,309**	(6,925)
Increase in non-current payments in advances		**(550,980)**	–
Increase/(decrease) in deferred income		**(37,149)**	176,552
Decrease/(increase) in contract assets and contract costs		**11,202**	(8,549)
Decrease in trade and other receivables		**169,990**	202,763
Decrease/(increase) in inventories		**(14,080)**	14,852
Increase/(decrease) in contract liabilities		**(594,645)**	131,080
Increase/(decrease) in trade and other payables		**(784,882)**	68,418
Cash used in operations		**(1,789,039)**	(475,471)
Interest received		**78,186**	133,243
Interest paid		**(7,439)**	(9,870)
Income tax paid		**(366,393)**	(212,243)
Net cash flows used in operating activities		**(2,084,685)**	(564,341)

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(64,343)**	(110,482)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**70,576**	–
Repayment of principal and interest of a loan from a related party		**1,353,449**	–
Disposal of a subsidiary	35	**442,902**	–
Investments in financial assets at fair value through profit or loss		**(222)**	(306)
Proceeds from disposal of shares of a joint venture		**–**	4,312
Proceeds from disposal of financial assets at fair value through profit or loss		**469**	77,124
Proceeds from disposal of items of property, plant and equipment		**3,612**	11,972
Interest received		**47,780**	47,388
Dividend received from associates	16	**17,063**	15,748
Dividend received from a joint venture	15	**7,938**	10,145
Dividend received from equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss		**7,014**	10,981
Decrease in pledged deposits		**15,000**	–
Net cash flows from investing activities		**1,901,238**	66,882
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(557,191)**	(708,940)
Proceeds from bank loans		**4,629,058**	5,907,271
Repayment of bank loans		**(2,888,590)**	(3,108,264)
Proceeds from other borrowings		**130,900**	140,472
Repayment of other borrowings		**(146,816)**	–
Proceeds from medium term notes		**1,000,000**	–
Repayment of medium term notes		**(1,000,000)**	(1,200,000)
Proceeds from super short term commercial papers		**400,000**	–
Repayment of super short term commercial papers		**(400,000)**	–
Principal portion of lease payments		**(24,494)**	(49,081)
Dividends paid to owners of the Company		**(244,645)**	(336,387)
Capital injection by a non-controlling shareholder		**3,009**	97,200
Dividends paid to non-controlling shareholders		**(61,054)**	(16,176)
Net cash flows from financing activities		**840,177**	726,095
NET INCREASE IN CASH AND CASH EQUIVALENTS		**656,730**	228,636
Cash and cash equivalents at beginning of year		**3,180,340**	2,951,704
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,837,070**	3,180,340
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,837,070**	3,180,340
Non-pledged time deposits		**–**	–
Cash and cash equivalents as stated in the consolidated statement of financial position	28	**3,837,070**	3,180,340

1. CORPORATE AND GROUP INFORMATION

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

During the year, Sichuan Expressway Company Limited and its subsidiaries (the "Group") were involved in the following principal activities:

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

On 2 April 2021, the Company's former parent and ultimate holding company, Sichuan Transportation Investment Group Corporation Limited ("STIG"), and Sichuan Railway Investment Group Co., Ltd. ("SRIG") entered into a restructuring agreement, pursuant to which a new entity, Shudao Investment Group Company Limited ("SIG"), would be established through the joint restructuring of STIG and SRIG by way of merger. The restructuring was completed on 28 May 2021. Particulars of the restructuring have been set out in the Company's announcement dated 6 April 2021 and 28 May 2021, respectively. In the opinion of the directors, SIG is the parent and the ultimate holding company of the Company, which is established in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chengle Company	560,790	100	–	Construction and operation of Chengle Expressway
Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company")	220,000	60	–	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Chengdu Shuhai Investment Management Company Limited	152,773	100	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sichuan Shuxia Industrial Company Limited ("Shuxia")	200,000	100	–	Provision of ancillary services and property development
Sichuan Shunan Investment Management Company Limited	200,000	100	–	Construction project management and construction of roads
Sichuan Suiguang-Suixi Expressway Company Limited	3,573,380	100	–	Construction and operation of Suiguang Expressway and Suixi Expressway
Sichuan Chengqiongya Expressway Company Limited ("Chengqiongya")	540,000	82	–	Construction and operation of Tianqiong Expressway
Sichuan Chengya Expressway Oil Supply Company Limited	27,200	51	–	Management of gas stations along expressways
Chengyu Financial Leasing Company ("Chengyu Financial Lease")	528,000	44.95	25.05	Finance lease
Chengyu Logistics Company Limited	50,000	–	100	Logistics service
Sichuan Zhonglu Energy Company Limited	52,000	51	–	Management of gas stations along expressways

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chengdu Shuhong Property Company Limited	100,000	100	–	Construction project management
Renshou Shunan Investment Management Company Limited	100,000	–	100	Construction project management
Ziyang Shunan Chengxing Project Construction & Management Company Limited	157,600	–	94.99	Construction project management
Lushan County Shuhan Engineering Construction Management Company Limited ("Lushan Shuhan")	20,000	–	94.99	Construction project management
Lushan County Shunan Engineering Construction Project Management Company Limited ("Lushan Shunan")	45,129	–	89.99	Construction project management
Sichuan Chengyu Commercial Factoring Company Limited ("Commercial Factoring Company")	200,000	–	51	Factoring service
Sichuan Multimodal United Transportation Investment and Development Co., Ltd.* ("Multimodal United Transportation Company")	1,000,000	51	–	Project investment and investment consultation

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong ("HK GAAP") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform-Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (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.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, properties under development, completed properties held for sale and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarter building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements

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

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

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

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

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

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

Particulars of the expressways managed and operated by the Group as at 31 December 2021 are as follows:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	11 to 70 years
Land and office buildings	1 to 10 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

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

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

(c) Short-term leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

If, at the financial reporting date, the financial instrument, whose impairment provision was measured at lifetime ECL, no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date at 12-month ECL.

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, dividend payables, interest-bearing bank and other borrowings and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign exchange swap, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Properties under development

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

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

Completed properties held for sale

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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 as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

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

2.4 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 with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Provision of road operation services

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

(b) Sale of properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(c) Sale of industrial products

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

(d) Construction services

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from other sources

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

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

Other Income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Construction and upgrade services under service concession arrangements

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Defined contribution pension scheme

In accordance with the state regulations of the PRC, the Group participates in a defined contribution pension scheme. All retired employees are entitled to an annual pension equivalent to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to a local social security bureau at a rate of 16% of the employees' salaries or wages of the current year, up to an amount equivalent to three times the employees' average salaries of the prior year within the geographical area where the employees are employed. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Supplementary defined contribution pension scheme

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

Housing fund

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

(a) Provision for ECLs on receivables, contract assets and loans to customers

The Group uses a provision matrix to calculate ECLs for receivables, contract assets and loans to customers. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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 receivables, contract assets and loans to customers is disclosed in notes 26, 25 and 18 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(b) Percentage of completion of construction and upgrade services provided under service concession arrangements and construction contracts

The Group recognises income and expenses associated with construction and upgrade services provided under service concession arrangements and construction contracts in accordance with HKFRS 15 *Revenue from Contracts with Customers*. The Group recognises construction revenue under service concession arrangements and construction contracts according to the input of individual contracts of construction and upgrade service work, which requires estimation to be made by management. The stage of completion and the corresponding contract revenue are estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contracts costs are more than expected, an impairment loss may arise.

(c) Impairment of non-financial assets

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

(d) Amortisation of service concession arrangements

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

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(e) Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 40 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2021 was RMB359,529,000 (2020: RMB174,290,000). Further details are included in note 17 to the financial statements.

(f) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses 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. The carrying amount of deferred tax assets at 31 December 2021 was RMB15,738,000 (2020: RMB31,014,000). Further details are given in note 21 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and products and has five reportable operating segments as follows:

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

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

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

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

(e) others segment mainly comprises technology related operations.

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

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

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

4. OPERATING SEGMENT INFORMATION

Year ended 31 December 2021

	Toll roads and bridges RMB'000	City operation RMB'000	Financial investment RMB'000	Energy investment RMB'000	Others RMB'000	Total RMB'000
SEGMENT REVENUE *(note 5)*	3,465,849	3,376,423	199,177	1,788,847	–	8,830,296
SEGMENT RESULTS	1,223,489	175,152	102,472	169,840	(92)	1,670,861
Reconciliation:						
Gain on disposal of a subsidiary						899,409
Unallocated income and gains						99,762
Corporate and other unallocated expenses						(381,836)
Profit before tax						2,288,196
SEGMENT ASSETS	31,002,736	2,012,060	3,093,542	232,549	1,964	36,342,851
Reconciliation:						
Equity investments designated at fair value through other comprehensive income						449,055
Financial assets at fair value through profit or loss						417
Deferred tax assets						15,738
Restricted deposits						2,366
Cash and cash equivalents						3,837,070
Total assets						40,647,497
SEGMENT LIABILITIES	19,348,857	1,357,812	1,425,985	62,234	1,600	22,196,488
Reconciliation:						
Financial liabilities at fair value through profit or loss						2,548
Dividend payables						–
Total liabilities						22,199,036
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	17,143	1,219	8,413	–	–	26,775
Share of profits and losses of joint ventures	11,573	–	2,055	–	–	13,628
Interest expenses	503,665	79,074	211	547	68	583,565
Depreciation and amortisation	925,492	12,511	1,724	16,884	967	957,578
Investments in associates	75,784	73,304	155,913	–	–	305,001
Investments in joint ventures	133,060	–	4,109	–	–	137,169
Capital expenditure*	2,730,651	13,303	67	21,287	10	2,765,318

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Toll roads and bridges RMB'000	City operation RMB'000	Financial investment RMB'000	Energy investment RMB'000	Others RMB'000	Total RMB'000
SEGMENT REVENUE *(note 5)*	3,007,666	3,545,098	186,695	1,459,151	–	8,198,610
SEGMENT RESULTS	732,036	188,190	72,509	157,365	(60)	1,150,040
Reconciliation:						
Unallocated income and gains						181,773
Corporate and other unallocated expenses						(340,206)
Profit before tax						991,607
SEGMENT ASSETS	29,081,491	4,950,053	2,618,966	202,727	6,386	36,859,623
Reconciliation:						
Equity investments designated at fair value through other comprehensive income						281,883
Financial assets at fair value through profit or loss						494
Deferred tax assets						31,014
Pledged deposits						15,000
Restricted deposits						36,027
Cash and cash equivalents						3,180,340
Total assets						40,404,381
SEGMENT LIABILITIES	19,141,612	3,610,391	1,020,021	67,787	1,455	23,841,266
Reconciliation:						
Dividend payables						29,434
Total liabilities						23,870,700
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	14,785	1,005	(23,161)	–	–	(7,371)
Share of profits and losses of joint ventures	11,044	–	3,066	–	–	14,110
Interest expenses	574,658	57,536	70	587	60	632,911
Depreciation and amortisation	891,832	12,522	3,318	15,743	939	924,354
Investments in associates	75,125	72,085	141,917	–	–	289,127
Investments in joint ventures	129,380	–	8,546	–	–	137,926
Capital expenditure*	3,101,619	10,911	437	3,389	28	3,116,384

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures

Geographical information

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

Information about major customers

During the year ended 31 December 2021, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Revenue from contracts with customers	**8,606,123**	7,991,225
Revenue from other sources		
Finance leasing	**198,241**	169,085
Commercial factoring	**936**	17,610
Gross rental income from operating leases:		
other lease payments, including fixed payments	**24,996**	20,690
	224,173	207,385
	8,830,296	8,198,610

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments

	Toll roads and bridges *RMB'000*	City operation *RMB'000*	Energy investment *RMB'000*	Total *RMB'000*
Types of goods or services				
Toll income	**3,465,849**	**–**	**–**	**3,465,849**
Construction services	**–**	**2,610,855**	**–**	**2,610,855**
Sale of industrial products	**–**	**59,204**	**1,788,847**	**1,848,051**
Property development	**–**	**618,587**	**–**	**618,587**
Others	**–**	**62,781**	**–**	**62,781**
Total revenue from contracts with customers	**3,465,849**	**3,351,427**	**1,788,847**	**8,606,123**

Geographical market

Revenues under HKFRS 15 are all generated in Mainland China.

	Toll roads and bridges *RMB'000*	City operation *RMB'000*	Energy investment *RMB'000*	Total *RMB'000*
Timing of revenue recognition				
Goods transferred at a point in time	**3,465,849**	**740,572**	**1,788,847**	**5,995,268**
Services transferred over time	**–**	**2,610,855**	**–**	**2,610,855**
Total revenue from contracts with customers	**3,465,849**	**3,351,427**	**1,788,847**	**8,606,123**

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2020

Segments

	Toll roads and bridges *RMB'000*	City operation *RMB'000*	Energy investment *RMB'000*	Total *RMB'000*
Types of goods or services				
Toll income	3,007,666	–	–	3,007,666
Construction services	–	2,961,311	–	2,961,311
Sale of industrial products	–	41,543	1,459,151	1,500,694
Property development	–	462,788	–	462,788
Others	–	58,766	–	58,766
Total revenue from contracts with customers	3,007,666	3,524,408	1,459,151	7,991,225

Geographical market

Revenues under HKFRS 15 are all generated in Mainland China.

Timing of revenue recognition				
Goods transferred at a point in time	3,007,666	563,097	1,459,151	5,029,914
Services transferred over time	–	2,961,311	–	2,961,311
Total revenue from contracts with customers	3,007,666	3,524,408	1,459,151	7,991,225

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

	2021 ***RMB'000***	2020 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property development	**618,587**	462,788

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(b) Performance obligations

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

Toll income

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

Sale of industrial products

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

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days to 13 years from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Property development

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

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

	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**4,858,598**	3,112,247
After one year	**5,095,888**	4,532,970
	9,954,486	7,645,217

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2021	2020
	RMB'000	*RMB'000*
Other income and gains		
Interest income from bank deposits	**45,072**	47,388
Interest income from discounting long-term compensation receivables	**3,342**	4,266
Interest income arising from revenue contracts	**77,653**	120,567
Interest income from a related party	**15,644**	–
	141,711	172,221
Rental income from operating leases of other lease payments, including fixed payments	**4,909**	4,314
Government grants*	**41,693**	60,529
Dividend income from equity investments designated at fair value through other comprehensive income *(note 17)*	**6,993**	8,633
Dividend income from financial assets at fair value through profit or loss	**21**	2,348
Road damage compensation income	**29,219**	44,929
Gain on disposal of financial assets on at fair value through profit or loss	**240**	3,468
Gain on disposal of a subsidiary *(note 35)*	**899,409**	–
Gain on disposal of properties under development**	**26,584**	–
Foreign exchange gains, net	**1,598**	–
Miscellaneous	**1,095**	10,164
Total other income and gains	**1,153,472**	306,606

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

** The properties under development namely "Hongrui International Plaza" was sold to Sichuan Trading Landmark Co., Ltd. ("Trading Landmark"), a fellow subsidiary under common control of SIG, at a consideration of RMB88,799,000 on 30 September 2021. The transaction was approved by the extraordinary general meeting of the Company on 28 September 2021.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Interest on bank and other borrowings	**828,408**	702,392
Interest on super short term commercial papers	**5,918**	–
Interest on medium term notes	**49,485**	92,426
Interest on lease liabilities *(note 14(c))*	**7,439**	7,736
	891,250	802,554
Less:		
Interest capitalised in respect of:		
– Service concession arrangements *(note 13(d))*	**(200,369)**	(74,187)
– Properties under development *(note 23)*	**(9,063)**	(10,441)
Interest recorded under cost of sales	**(98,253)**	(85,015)
	583,565	632,911
Interest rate of borrowing costs capitalised	**3.92%-6.8%**	4.41%-7.8%

7. PROFIT BEFORE TAX

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

	Notes	**2021** **RMB'000**	2020 RMB'000
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration *(note 8)*):			
Wages and salaries		**550,038**	573,489
Pension scheme contributions* – Defined contribution fund		**88,225**	46,554
Housing fund* – Defined contribution fund		**59,434**	54,782
Supplementary pension scheme* – Defined contribution fund		**24,126**	22,250
Other staff benefits		**130,671**	115,777
Employee benefit expense**		**852,494**	812,852
Depreciation of property, plant and equipment	12	**93,273**	91,977
Amortisation of service concession arrangements	13	**802,374**	771,348
Depreciation of right-of-use assets	14(a)	**61,931**	61,029
Depreciation and amortisation expenses**		**957,578**	924,354
Construction costs in respect of:			
– Service concession arrangements**		**2,500,606**	2,931,715
– Construction works performed for other parties**		**108,110**	6,813
Construction costs		**2,608,716**	2,938,528
Cost of sales of refined oil and petrochemical products		**1,565,316**	1,245,582
Cost of properties sold	23	**472,121**	363,539
Cost of finance lease operation		**98,253**	85,015
Repairs and maintenance		**217,794**	188,092
Lease payments not included in the measurement of lease liabilities	14(c)	**4,009**	3,591
Reversal of impairment of completed properties held for sale	23	**–**	(3,917)
Auditor's remuneration		**3,120**	3,120
Loss on disposal of items of property, plant and equipment		**307**	2,576
Loss on disposal of items of service concession arrangements		**2,269**	–
Impairment loss on loans to customers	18	**52,359**	–
Impairment loss on trade receivables	26(a)	**736**	50,510
Fair value loss on derivative financial instruments		**2,618**	89
Impairment loss/(reversal of impairment loss) on financial assets included in other receivables	26(c)	**1,839**	(13,587)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** During the year, employee costs of RMB44,730,000 (2020: RMB31,720,000), and depreciation and amortisation charges of RMB2,368,000 (2020: RMB2,572,000) were included in construction costs.

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

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**5,189**	3,916
Pension scheme contributions	**252**	167
Supplementary pension scheme contributions	**276**	223
	5,717	4,306
	6,037	4,626

(a) Independent non-executive directors

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

	2021	2020
	RMB'000	*RMB'000*
Mr. Gao Jinkang *(a)*	**32**	80
Mr. Yan Qixiang	**80**	80
Madam Bu Danlu	**80**	80
Mr. Yu Haizong *(b)*	**48**	–
Madam Liu Lina	**80**	80
	320	320

(a) Mr.Gao Jinkang resigned as the independent non-executive director of the Company on 25 May 2021.

(b) Mr.Yu Haizong was appointed as the Company's independent non-executive director on 25 May 2021 and has been entitled to remuneration since 25 May 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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

(b) Executive and non-executive directors

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2021					
Executive directors:					
Mr. You Zhiming	629	–	36	35	700
Mr. He Zhuqing	629	–	–	–	629
Mr. Gan Yongyi	767	–	36	48	851
Mr. Li Wenhu	747	–	36	35	818
Madam Ma Yonghan	634	–	36	30	700
	3,406	–	144	148	3,698
Non-executive directors:					
Mr. Li Chengyong	–	–	–	–	–
Mr. Yang Guofeng *(a)*	–	–	–	–	–
Mr. Liu Changsong *(b)*	–	–	–	–	–
	3,406	–	144	148	3,698

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

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

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2020					
Executive directors:					
Mr. You Zhiming	193	–	21	24	238
Mr. He Zhuqing	329	–	–	–	329
Mr. Gan Yongyi	685	–	26	48	759
Mr. Li Wenhu	141	–	14	11	166
Mr. Luo Maoquan *(c)*	421	–	7	12	440
Madam Ma Yonghan	193	–	21	21	235
	1,962	–	89	116	2,167
Non-executive directors:					
Mr. Li Chengyong	–	–	–	–	–
Mr. Yang Guofeng	–	–	–	–	–
	–	–	–	–	–
	1,962	–	89	116	2,167

(a) Mr. Yang Guofeng resigned as the Company's non-executive director on 11 October 2021.

(b) Mr. Liu Changsong was appointed as the Company's non-executive director on 9 November 2021.

(c) Mr. Luo Maoquan resigned as the Company's executive director on 29 April 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

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

(c) Supervisors

	Salaries, allowances and benefits in kind *RMB'000*	**Performance related bonus** *RMB'000*	**Pension scheme contributions** *RMB'000*	**Supplementary pension scheme contributions** *RMB'000*	**Total** *RMB'000*
2021					
Mr. Luo Maoquan	**691**	**–**	**36**	**47**	**774**
Mr. Hu Yaosheng*(a)*	**121**	**–**	**9**	**13**	**143**
Mr. Ling Xiyun	**–**	**–**	**–**	**–**	**–**
Mr. Wang Yao	**–**	**–**	**–**	**–**	**–**
Madam Li Tao	**606**	**–**	**36**	**38**	**680**
Madam Gao Ying	**–**	**–**	**–**	**–**	**–**
Madam Lu Xiaoyan*(b)*	**365**	**–**	**27**	**30**	**422**
	1,783	**–**	**108**	**128**	**2,019**

	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2020					
Mr. Feng Bing*(c)*	723	–	7	15	745
Mr. Luo Maoquan	262	–	19	24	305
Mr. Hu Yaosheng	497	–	26	34	557
Mr. Ling Xiyun	–	–	–	–	–
Mr. Wang Yao	–	–	–	–	–
Madam Li Tao	472	–	26	34	532
Madam Gao Ying	–	–	–	–	–
	1,954	–	78	107	2,139

(a) Mr. Hu Yaosheng resigned as the Company's supervisor on 31 March 2021.

(b) Madam Lu Xiaoyan was appointed as the Company's supervisor on 31 March 2021.

(c) Mr. Feng Bing resigned as the Company's supervisor on 3 June 2020.

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year (2020: Nil).

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

(d) The five highest paid employees during the year included two directors (2020: one) and one supervisor (2020: one), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2020: three) highest paid employees who are not a director, chief executive, or supervisor of the Company are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Salaries, allowances and benefits in kind	**1,320**	2,077
Performance related bonus	**–**	–
Pension scheme contributions	**72**	190
	1,392	2,267

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

In addition to the amounts disclosed above, no executive director (2020: no), three non-executive directors (2020: two) and three supervisors (2020: three) did not receive any remuneration from the Company in 2021. They are respectively the senior executives and directors of SIG and China Merchants Expressway Network & Technology Holdings Company Limited, which holds a 24.88% interest in the Company. In the opinion of the directors, it is not practicable to apportion these amounts between their services as directors and supervisors of the Company and their services as senior executives and directors of the above companies.

9. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the two years ended 31 December 2021 and 2020.

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

Pursuant to the Circular on Issues Announcement on the Continuation of Cai Shui [2011] No. 58 for Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and National Development and Reform Commission ("Circular [2020] No. 23"), the tax preferential treatments for the Western Region Development are valid until 2030. According to the Circular [2020] No. 23, "from 1 January 2021 to 31 December 2030, 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 prescribed in the Catalogue if the income which is within the Catalogue accounts for more than 60% of the total income of such enterprises."

For entities within the scope of the transportation industry, i.e., the Company, Chengle Company, Chengbei Company, Shuxia and Chengdu Airport Expressway Company Limited ("Chengdu Airport Expressway"), an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2016 and have not changed their business operations, income tax of these entities for the year ended 31 December 2021 continued to be calculated at a tax rate of 15%.

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

	2021 ***RMB'000***	2020 *RMB'000*
Current – Mainland China		
Charge for the year	**346,673**	276,512
Underprovision/(overprovision) in prior years	**(1,583)**	1,386
Deferred *(note 21)*	**(7,910)**	(20,188)
Total tax charge for the year	**337,180**	257,710

9. INCOME TAX (CONTINUED)

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

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**2,288,196**	991,607
Tax at the applicable tax rates of:		
25%	**55,396**	50,541
15%	**309,992**	118,416
Sub-total	**365,388**	168,957
Income not subject to tax	**(88,236)**	(2,053)
Expenses not deductible for tax	**6,091**	16,080
Underprovision/(overprovision) in prior years	**(1,583)**	1,386
Profit attributable to associates and joint ventures	**(7,229)**	898
Tax losses and deductible temporary differences not recognised	**68,048**	70,241
Tax losses utilised from previous years	**(7,418)**	(2,845)
Tax arising from intra-group borrowings	**626**	1,760
Effect of withholding tax at 10% on the dividend income	**–**	1,582
Dividend from a non-resident joint venture	**1,184**	1,522
Others	**309**	182
Tax charge at the Group's effective tax rate	**337,180**	257,710

The share of tax attributable to associates and joint ventures amounting to RMB10,779,000 (2020: RMB(73,000)) is included in "Share of profits and losses of joint ventures and associates" on the face of the consolidated statement of profit or loss and other comprehensive income.

10. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final – RMB0.110 (2020: RMB0.080) per ordinary share	**336,387**	244,645

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

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 3,058,060,000 (2020: 3,058,060,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

	Safety equipment *RMB'000*	Communication and signalling systems *RMB'000*	Toll collection equipment *RMB'000*	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2021								
Cost:								
At 1 January 2021	653,983	143,894	398,749	573,628	207,070	87,151	124,240	2,188,715
Additions during the year	2,360	1,019	4,407	–	14,585	11,077	30,895	64,343
Disposals and write-offs	(20,036)	(1,077)	(9,367)	(8,994)	(5,717)	(596)	–	(45,787)
Disposal of a subsidiary *(note 35)*	–	–	–	(24,652)	(2,549)	(2,195)	–	(29,396)
Transfer	–	4,032	7,200	102,185	21,809	–	(135,226)	–
At 31 December 2021	636,307	147,868	400,989	642,167	235,198	95,437	19,909	2,177,875
Accumulated depreciation:								
At 1 January 2021	611,366	98,626	190,376	329,827	136,899	57,585	–	1,424,679
Provided during the year *(note 7)*	4,123	6,640	34,485	22,207	19,284	6,534	–	93,273
Disposals and write-offs	(19,524)	(986)	(7,474)	(7,871)	(5,501)	(512)	–	(41,868)
Disposal of a subsidiary *(note 35)*	–	–	–	(4,342)	(1,971)	(2,073)	–	(8,386)
At 31 December 2021	595,965	104,280	217,387	339,821	148,711	61,534	–	1,467,698
Net carrying amount:								
At 1 January 2021	42,617	45,268	208,373	243,801	70,171	29,566	124,240	764,036
At 31 December 2021	40,342	43,588	183,602	302,346	86,487	33,903	19,909	710,177

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Safety equipment *RMB'000*	Communication and signalling systems *RMB'000*	Toll collection equipment *RMB'000*	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2020								
Cost:								
At 1 January 2020	668,469	176,846	395,774	575,868	204,897	88,760	81,400	2,192,014
Additions during the year	5,667	1,471	618	–	6,896	3,928	91,902	110,482
Disposals and write-offs	(20,153)	(51,738)	(15,553)	(9,021)	(8,125)	(5,537)	(3,654)	(113,781)
Transfer	–	17,315	17,910	6,781	3,402	–	(45,408)	–
At 31 December 2020	653,983	143,894	398,749	573,628	207,070	87,151	124,240	2,188,715
Accumulated depreciation:								
At 1 January 2020	626,266	143,581	170,389	308,698	127,505	55,496	–	1,431,935
Provided during the year (note 7)	4,597	5,231	34,996	22,995	17,189	6,969	–	91,977
Disposals and write-offs	(19,497)	(50,186)	(15,009)	(1,866)	(7,795)	(4,880)	–	(99,233)
At 31 December 2020	611,366	98,626	190,376	329,827	136,899	57,585	–	1,424,679
Net carrying amount:								
At 1 January 2020	42,203	33,265	225,385	267,170	77,392	33,264	81,400	760,079
At 31 December 2020	42,617	45,268	208,373	243,801	70,171	29,566	124,240	764,036

13. SERVICE CONCESSION ARRANGEMENTS

	2021 *RMB'000*	2020 *RMB'000*
Cost:		
At 1 January	**35,311,765**	32,305,863
Additions	**2,700,975**	3,005,902
Disposals	**(189,665)**	–
At 31 December	**37,823,075**	35,311,765
Accumulated amortisation:		
At 1 January	**7,654,174**	6,882,826
Charged for the year *(note 7)*	**802,374**	771,348
Disposals	**(2,326)**	–
At 31 December	**8,454,222**	7,654,174
Net carrying amount:		
At 1 January	**27,657,591**	25,423,037
At 31 December	**29,368,853**	27,657,591

Notes:

(a) At 31 December 2021, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 31(a)):

	2021 *RMB'000*	2020 *RMB'000*
Chengle Expressway	**7,911,826**	5,788,278
Chengren Expressway	**6,290,814**	6,470,301
Tianqiong Expressway	**1,319,033**	–
Suiguang Expressway and Suixi Expressway	**11,312,363**	11,662,808
	26,834,036	23,921,387

(b) During the year, the Group was in the construction of the Chengle Expressway Expansion Construction Project, Tianqiong Expressway Build-Operate-Transfer ("BOT") Project and Chengya Oil Meishan Gas Station Construction Project. Total costs of RMB2,700,975,000 (2020: RMB3,005,902,000) including construction costs of RMB2,500,606,000 and capitalised borrowing costs of RMB200,369,000 were incurred, among which RMB2,500,606,000 (2020: RMB2,931,715,000) was sub-contracted to third party subcontractors.

(c) Construction revenue of RMB2,500,606,000 (2020: RMB2,931,715,000) was mainly recognised in respect of the construction service provided by the Group for the Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Chengya Oil Meishan Gas Station Construction Project using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the Group is granted the rights to charge the users under the service concession arrangements of the above mentioned projects.

(d) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB200,369,000 (2020: RMB74,187,000) (note 6).

14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land *RMB'000*	Office buildings *RMB'000*	Total *RMB'000*
As at 1 January 2021	**380,480**	**36,244**	**416,724**
Additions	**–**	**11,954**	**11,954**
Depreciation charge *(note 7)*	**(48,448)**	**(13,483)**	**(61,931)**
As at 31 December 2021	**332,032**	**34,715**	**366,747**

(b) Lease liabilities

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

	2021 ***RMB'000***	2020 *RMB'000*
Carrying amount at 1 January	**160,405**	169,471
New leases	**11,879**	17,960
Accretion of interest recognised during the year	**7,439**	7,736
Payments	**(31,933)**	(34,762)
Carrying amount at 31 December	**147,790**	160,405
Analysed into:		
Current portion	**27,464**	23,811
Non-current portion	**120,326**	136,594

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

14. LEASES (CONTINUED)

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

	2021 **RMB'000**	2020 RMB'000
Interest on lease liabilities *(note 6)*	**7,439**	7,736
Depreciation charge of right-of-use assets *(note 7)*	**61,931**	61,029
Expense relating to short-term leases		
– included in cost of sales *(note 7)*	**516**	503
– included in administrative expenses *(note 7)*	**3,493**	3,088
Total amount recognised in profit or loss	**73,379**	72,356

(d) The total cash outflow for leases is disclosed in note 36(c) to the financial statements.

The Group as a lessor

The Group leases its leased properties consisting office buildings and service zones under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB29,905,000 (2020: RMB25,004,000), details of which are included in note 5 to the financial statements.

15. INVESTMENTS IN JOINT VENTURES

	2021 ***RMB'000***	2020 *RMB'000*
Share of net assets	**137,169**	137,926

Particulars of the Group's joint ventures, which were established and operate in Mainland China, as of 31 December 2021 are as follows:

Name	**Percentage of ownership interest**	**Principal activities**
Sichuan Chengyu Development Equity Investment Fund Center	50% (direct 49.18%, indirect 0.82%)	Asset management
Chengdu Chengyujianxin Equity Investment Fund Management Company Limited	50% (direct)	Asset management
Sichuan Communications Network Technology Company Limited ("Sichuan Communication")	49% (indirect)	Technology service

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

	2021 ***RMB'000***	2020 *RMB'000*
Share of the joint ventures' profit for the year	**13,628**	14,110
Share of the joint ventures' other comprehensive income	**–**	–
Share of the joint ventures' total comprehensive income	**13,628**	14,110
Dividend received during the year	**(7,938)**	(10,145)
Withdrawal during the year	**–**	(4,312)
Deemed disposal of investment in a joint venture	**(285)**	–
Transferred from/to an investment in an associate *(note 16)*	**(6,162)**	2,899
Aggregate carrying amount of the Group's investments in the joint ventures	**137,169**	137,926

Investments in joint ventures are measured using the equity method.

16. INVESTMENTS IN ASSOCIATES

	2021	2020
	RMB'000	*RMB'000*
Share of net assets	**314,164**	298,290
Provision for impairment	**(9,163)**	(9,163)
	305,001	289,127

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

Name	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Chengdu Airport Expressway	25%	Operation of Chengdu Airport Expressway
Sichuan Renshou Rural Commercial Bank Co., Ltd. ("Renshou Bank")	7.474%	Banking operations
Sichuan Zhongxin Assets Management Company Limited	40%	Asset management

The Group's shareholdings in Chengdu Airport Expressway are held by the Company. The Group's shareholdings in other associates are held by the subsidiaries of the Company.

Investments in associates are accounted for using the equity method.

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2021	2020
	RMB'000	*RMB'000*
Current assets	**251,105**	204,221
Non-current assets	**91,997**	123,400
Current liabilities	**(38,406)**	(24,808)
Non-current liabilities	**(1,557)**	(2,316)
Net assets	**303,139**	300,497
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets of the associate	**75,785**	75,124
Carrying amount of the investment	**75,785**	75,124

	2021	2020
	RMB'000	*RMB'000*
Revenue	**135,393**	111,749
Profit for the year	**68,574**	59,139
Other comprehensive income	**–**	–
Total comprehensive income for the year	**68,574**	59,139
Dividend received	**16,483**	15,748

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

	2021	2020
	RMB'000	*RMB'000*
Share of the associates' profit/(loss) for the year	**9,631**	(22,156)
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income/(loss)	**9,631**	(22,156)
Transferred from/(to) investments in joint ventures *(note 15)*	**6,162**	(2,899)
Dividend received	**(580)**	–
Dilution of investment in an associate	**–**	(3,282)
Aggregate carrying amount of the Group's investments in the associates	**229,216**	214,003

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

	2021	2020
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investment, at fair value China Everbright Bank	**89,526**	107,593
Unlisted equity investments, at fair value		
Sichuan Zhineng Transportation System Management Company Limited	**3,620**	4,740
Sichuan Trading Landmark Co., Ltd. ("Trading Landmark")	**–**	11,350
Shudao Transportation Service Group Co., Ltd. ("Shudao Transportation")	**–**	40,080
Chengdu Chengbei Expressway Gas Station Co., Ltd.	**10,250**	12,790
Sichuan Transportation Construction Engineering Co., Ltd. ("TCC")	**345,659**	105,330
	359,529	174,290
	449,055	281,883

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

In December 2021, the Group disposed of its equity interests in Trading Landmark and Shudao Transportation, as these investments no longer coincided with the Group's development strategy. The consideration of disposal aggregating to RMB70,576,000 and the accumulated gains recognised in other comprehensive income of RMB21,739,000 was transferred to retained profits.

During the year ended 31 December 2021, the Group received dividends in the amount of RMB6,993,000 (2020: RMB8,633,000) (note 5).

18. LOANS TO CUSTOMERS

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

31 December 2021

	Net lease receivables *RMB'000*	**Unearned finance income** *RMB'000*	**Total gross lease receivables** *RMB'000*
Amounts receivable:			
– Within one year	**1,456,077**	**128,539**	**1,584,616**
– In the second year	**890,531**	**57,947**	**948,478**
– In the third to fifth years, inclusive	**507,867**	**21,946**	**529,813**
Total	**2,854,475**	**208,432**	**3,062,907**
Less: Allowances for impairment losses	**(52,359)**		
Amounts receivable, net	**2,802,116**		
Portion classified as current assets	**(1,382,359)**		
Non-current portion	**1,419,757**		

31 December 2020

	Net lease receivables *RMB'000*	Unearned finance income *RMB'000*	Total gross lease receivables *RMB'000*
Amounts receivable:			
– Within one year	1,018,472	98,392	1,116,864
– In the second year	863,947	74,543	938,490
– In the third to fifth years, inclusive	427,158	15,091	442,249
Total	2,309,577	188,026	2,497,603
Portion classified as current assets	(1,018,472)		
Non-current portion	1,291,105		

18. LOANS TO CUSTOMERS (CONTINUED)

The movement in the allowance for impairment losses is as follows:

	2021 **RMB'000**	2020 RMB'000
At beginning of year	**–**	–
Impairment losses *(note 7)*	**52,359**	–
At end of year	**52,359**	–

The Group has applied the general approach to providing for ECLs prescribed by HKFRS 9, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECLs and forward-looking information.

At 31 December 2021, the Group has pledged lease receivables of RMB1,864,177,000 (2020: RMB925,579,000) to secure bank loans granted to the Group (note 31 (a)). The loans to customers were secured by the collateral provided by the lessees including specific equipment or assets.

Further information about the amounts arising from expected credit losses is included in note 41 to the financial statements.

Note:

Amounts due from related parties, which are repayable on terms similar to those offered to independent customers of the Group, included in loans to customers as at the end of the reporting period are as follows:

	2021 **RMB'000**	2020 RMB'000
A joint venture of the Group	**110,052**	–
Fellow subsidiaries under common control of SIG	**203,467**	–
	313,519	

19. LONG TERM COMPENSATION RECEIVABLES

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

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

(a) An annual instalment of RMB13 million is paid by XDG to Chengbei Company by 30 June of every year for 16 years from 2007 till 2022 and a final instalment of RMB3,802,100 by 30 June 2023;

(b) CMCC, an authorised representative of the Chengdu Municipal Government responsible for the financing of XDG, has guaranteed the payment in annual instalments. In the event of default in payment, CMCC agrees that it will deduct the default amount from the annual finance funds allocated to XDG and pay it to Chengbei Company directly; and

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

The compensation can be analysed as follows:

	2021			2020		
	Compensation *RMB'000*	**Imputed interest** *RMB'000*	**Net present value** *RMB'000*	Compensation *RMB'000*	Imputed interest *RMB'000*	Net present value *RMB'000*
Receivables:						
Within one year	**13,000**	**1,998**	**11,002**	13,000	3,342	9,658
In the second to fifth years, inclusive	**3,802**	**451**	**3,351**	16,802	2,449	14,353
	16,802	**2,449**	**14,353**	29,802	5,791	24,011
Portion classified as current assets *(note 26 (b))*			**(11,002)**			(9,658)
Non-current portion			**3,351**			14,353

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

20. PAYMENTS IN ADVANCE

	Notes	2021 RMB'000	2020 RMB'000
In respect of:			
Sandstones	(a)	**182,985**	–
Construction	(b)	**367,995**	–
		550,980	

(a) Pursuant to contracts governing the construction of Lushan County Tourist Road Construction Project, trade receivables arising from the construction service will be used to settle the purchase of sandstones arranged by the local government authorities, for a period over one year.

(b) Pursuant to contracts governing the relevant construction projects, prepayments were made by the Group to ensure the continuous construction of Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project.

Included in prepayments in advance in respect of construction, prepayments amounting to RMB56,168,000 and RMB251,225,000 were made to fellow subsidiaries under common control of SIG and Road and Bridge International CO., LTD. ("Road and Bridge"), a non-controlling shareholder of a subsidiary within the Group, respectively, for Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project.

21. DEFERRED TAX

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

Deferred tax assets

	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	11,712	157	11,869
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	13,402	6,325	19,727
At 31 December 2020 and 1 January 2021	25,114	6,482	31,596
Deferred tax credited to profit or loss during the year *(note 9)*	(5,733)	13,153	7,420
At 31 December 2021	19,381	19,635	39,016

The Group has tax losses arising in Mainland China of RMB2,100,022,000 (2020: RMB1,855,838,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making and it is not considered probable that taxable profits will be available against which they can be utilised.

21. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustment arising from equity investments designated at fair value through other comprehensive income *RMB'000*	**Accelerated amortisation for tax purposes** *RMB'000*	**Total** *RMB'000*
At 1 January 2020	18,974	1,826	20,800
Deferred tax credited to profit or loss during the year *(note 9)*	–	(461)	(461)
Deferred tax charged to reserves during the year	(14,316)	–	(14,316)
At 31 December 2020 and 1 January 2021	4,658	1,365	6,023
Deferred tax credited to profit or loss during the year (note 9)	–	(490)	(490)
Deferred tax credited to reserves during the year	34,577	–	34,577
Disposal of equity investments designated at fair value through other comprehensive income	(3,837)	–	(3,837)
At 31 December 2021	35,398	875	36,273

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:

	2021 ***RMB'000***	2020 *RMB'000*
Gross deferred tax assets	**39,016**	31,596
Gross deferred tax liabilities	**(23,278)**	(582)
Net deferred tax assets	**15,738**	31,014
Gross deferred tax liabilities	**36,273**	6,023
Gross deferred tax assets	**(23,278)**	(582)
Net deferred tax liabilities	**12,995**	5,441

21. DEFERRED TAX (CONTINUED)

Withholding Tax ("WHT") for dividends paid to foreign investors

Pursuant to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation, where the Company declares a dividend in or after 2008 and beyond out of the cumulative retained profits as of 31 December 2007 (i.e., 2007 retained profits), these dividends earned by the foreign shareholders are exempted from WHT; for a dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign shareholders. Dividends paid to foreign shareholders are subject to a 10% WHT for the dividend starting from 1 January 2008.

22. INTERESTS IN LAND HELD FOR PROPERTY DEVELOPMENT

As at 31 December 2020, the Group's interests in land use rights for property development represented prepayments for the rights to use certain pieces of land situated in Mainland China over fixed periods made by the Group's subsidiary, Renshou Trading Landmark Company Limited ("Renshou Landmark"), which was disposed of by the Group during the year (note 35).

23. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2021 ***RMB'000***	2020 *RMB'000*
Properties under development		
Land costs	–	1,117,951
Development costs	–	469,363
	–	1,587,314

23. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE (CONTINUED)

	2021	2020
	RMB'000	*RMB'000*
Completed properties held for sale		
Carrying amount at 1 January	**969,986**	154,350
Reversal of provision for impairment *(note 7)*	**–**	3,917
Transfer from properties under development	**12,495**	1,175,258
Transfer to cost of properties sold *(note 7)*	**(472,121)**	(363,539)
Disposal of a subsidiary *(note 35)*	**(510,360)**	–
Carrying amount at 31 December	**–**	969,986

The Group's properties under development and completed properties held for sale are situated on leasehold land in Mainland China. During the year, interest capitalised as part of properties under development by the Group was RMB9,063,000 (2020: RMB10,441,000) (note 6).

24. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Refined oil products	**60,238**	36,747
Spare parts and construction materials	**2,831**	3,230
Sandstones	**–**	9,012
	63,069	48,989

25. CONTRACT ASSETS

	31 December 2021 ***RMB'000***	31 December 2020 *RMB'000*	1 January 2020 *RMB'000*
Contract assets arising from construction services	**31,000**	31,000	31,000
Impairment	**–**	–	–
	31,000	31,000	31,000

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

There was no allowance for expected credit losses on contract assets recognised as at 31 December 2021 (2020: Nil). The Group's trading terms and credit policy with customers are disclosed in note 26 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2021 is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within one year	**–**	21,000
After one year	**31,000**	10,000
Total contract assets	**31,000**	31,000

25. CONTRACT ASSETS (CONTINUED)

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

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

26. TRADE AND OTHER RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade receivables			
Trade receivables		**1,726,499**	1,972,178
Impairment		**(51,246)**	(50,510)
Trade receivables, net	(a)	**1,675,253**	1,921,668
Bills receivable		**–**	35,714
		1,675,253	1,957,382
Other receivables			
Deposit and other receivables	(b)	**375,812**	517,994
Impairment	(c)	**(97,103)**	(95,264)
		278,709	422,730
Prepayments		**50,426**	61,318
Other receivables, net		**329,135**	484,048
Total trade and other receivables		**2,004,388**	2,441,430

Notes:

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

The term of commercial factoring contracts ranged from one year to two years since the effective date of the relevant factoring contracts. The Group's credit terms of trade receivables arising from commercial factoring are generally on a 30-day basis.

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

According to the contracts governing the relevant construction works, trade receivables of RMB1,097,114,000 as at 31 December 2021 (2020: RMB853,012,000) are to be settled by instalments within two to thirteen years upon completion of the relevant construction works and bear interest at rates ranging from 4.75% to 14.98% (2020: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(a) (continued)

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**928,478**	1,048,515
3 to 6 months	**51**	21,555
6 to 12 months	**1,459**	63,199
Over 1 year	**745,265**	788,399
	1,675,253	1,921,668

The movement in the loss allowance for impairment of trade receivables is as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**50,510**	–
Impairment losses *(note 7)*	**736**	50,510
At end of year	**51,246**	50,510

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

As at 31 December 2021, the Group's major receivables are from government agencies, state-owned enterprises and a number of diversified customers. In view of the history of business dealings with the debtors and the sound collection history of the receivables and loans to customers due from them, the Group believes that there is no significant credit risk with these receivables. Management keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis based on historical payment records, the length of the overdue period, background and reputation of the debtors, the financial strength of the debtors and whether there are any disputes with the debtors. Except for the loss allowance for impairment of trade receivables mentioned above, no additional ECL was provided as the directors consider that the expected credit risks of these receivables are minimal.

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) The Group's deposits and other receivables at 31 December 2021 are analysed as follows:

	2021 *RMB'000*	2020 *RMB'000*
Up-front payment of construction contracts	**25,119**	–
Interest receivables on temporary advances and construction revenue	**5,505**	6,038
Long-term compensation receivables to be received within one year *(note 19)*	**11,002**	9,658
Toll income receivables	**100,398**	167,452
Deductible input value-added tax	**82,871**	138,321
Deposits	**7,495**	14,943
Miscellaneous	**143,422**	181,582
	375,812	517,994
Impairment allowance	**(97,103)**	(95,264)
	278,709	422,730

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

	2021 *RMB'000*	2020 *RMB'000*
At beginning of year	**95,264**	108,851
Provision for/(reversal of) loss allowance *(note 7)*	**1,839**	(13,587)
At end of year	**97,103**	95,264

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

In determining the ECLs for other receivables, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Except for certain disputed other receivables which had been fully impaired, the Group has assessed and concluded that the risk of default rate for the other instruments was minimal as at 31 December 2021 since the counterparties to these instruments have a high credit rating.

(d) Amounts due from related parties, which are repayable on credit terms similar to those offered to the independent major customers of the Group, included in trade and other receivables as at the end of the reporting period are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Fellow subsidiaries under common control of SIG		
– Other receivables	**103,193**	8,752
– Prepayments	**7,172**	23
– Trade receivables	**3,917**	3,000
	114,282	11,775

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Listed equity investments, at fair value	**417**	494

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

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**3,839,436**	3,216,367
Time deposits	**–**	15,000
	3,839,436	3,231,367
Less: Pledged time deposits for construction of road projects	**–**	15,000
Restricted deposits	**2,366**	36,027
Cash and cash equivalents	**3,837,070**	3,180,340

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

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

	2021 RMB'000	2020 RMB'000
RMB	**3,839,391**	3,231,236
Hong Kong dollars	**45**	131
	3,839,436	3,231,367

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

29. CONTRACT LIABILITIES

	31 December 2021 ***RMB'000***	31 December 2020 *RMB'000*	1 January 2020 *RMB'000*
Advances received from customers			
Construction contracts	**–**	–	26,791
Sale of properties	**–**	1,569,219	1,411,348
Total contract liabilities	**–**	1,569,219	1,438,139

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

30. TRADE AND OTHER PAYABLES

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Trade payables	(a)	**34,684**	406,030
Other payables	(b)	**1,725,297**	2,799,893
Accruals	(c)	**53,299**	57,871
Deferred income	(d)	**268,888**	306,037
		2,082,168	3,569,831
Non-current portion		**(240,265)**	(272,717)
Portion clarified as current liabilities		**1,841,903**	3,297,114

30. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	2021 **RMB'000**	2020 RMB'000
Within 3 months	**12,613**	344,161
3 to 6 months	**13,246**	3,293
6 to 12 months	**338**	658
Over 1 year	**8,487**	57,918
	34,684	406,030

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

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

	Notes	**2021** **RMB'000**	2020 RMB'000
Advances		**39,411**	33,038
Inter-network toll collection	(i)	**43,547**	35,851
Payroll and welfare payables		**230,739**	239,882
Taxes and surcharge payables		**32,066**	41,710
Progress billing payables	(ii)	**787,163**	1,513,015
Retention payables	(iii)	**168,164**	350,447
Deposits	(iii)	**177,546**	202,950
Others		**246,661**	383,000
		1,725,297	2,799,893

Notes:

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

(ii) Included in the progress billing payables was an amount of RMB498,890,000 (2020: RMB1,183,568,000) relating to the construction of the Suiguang-Suixi Expressways BOT Project and the Chengle Expressway Expansion Construction Project.

(iii) Included in retention payables and deposits, RMB134,382,000 (2020: RMB285,859,000) relating to the construction of the Chengren Expressway BOT Project, Suiguang-Suixi Expressways BOT Project and the Chengle Expressway Expansion Construction Project, which include performance guarantee deposits of approximately RMB2,877,000 (2020: RMB2,857,000) received from subcontractors, and bear interest at a fixed rate of 0.35% (31 December 2020: 0.35%) per annum.

(c) The balance as at 31 December 2021 consisted of interest accrued in respect of medium term notes and interest-bearing bank borrowings of RMB39,993,000 (2020: RMB47,753,000) and RMB13,306,000 (2020: RMB10,118,000), respectively.

30. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

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

	2021	2020
	RMB'000	*RMB'000*
Leasing income received in advance	**8,827**	9,931
Management fee received in advance for operation of a bridge	**46,314**	54,369
Various deferred compensation income received in advance	**23,083**	26,734
Subsidy funds for demolishing the provincial boundary toll station	**83,841**	94,933
Government grants for Suiguang-Suixi Expressways BOT Project	**95,334**	96,800
Longquan gas station demolition subsidy	**6,786**	15,663
Miscellaneous	**4,703**	7,607
	268,888	306,037

Deferred income of the Group to be released to profit or loss after twelve months from 31 December 2021 with a total amount of RMB240,265,000 (2020: RMB272,717,000) has been recorded as a non-current liability.

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

	2021	2020
	RMB'000	*RMB'000*
Fellow subsidiaries under common control of SIG		
– Advances	**16,379**	–
– Trade payables	**1,147**	42,483
– Other payables	**569,446**	1,157,417
	586,972	1,199,900

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

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2021	2020
	Notes	***RMB'000***	*RMB'000*
Bank loans:			
– Secured	(a)	**15,301,870**	13,065,000
– Unsecured		**3,170,000**	3,750,000
Medium term notes	(b)	**1,290,000**	1,290,000
Other borrowings, unsecured		**–**	112,240
Other borrowings, secured		**72,653**	182,652
Lease liabilities *(note 14(b))*		**147,790**	160,405
		19,982,313	18,560,297

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,369,575**	3,407,448
In the second year	**3,000,845**	1,036,222
In the third to fifth years, inclusive	**1,735,914**	3,836,372
Beyond five years	**12,365,536**	8,534,958
	18,471,870	16,815,000
Medium term notes repayable:		
Within one year	**–**	1,000,000
In the second year	**–**	–
In the third to fifth years, inclusive	**1,290,000**	290,000
	1,290,000	1,290,000
Other borrowings and lease liabilities:		
Within one year	**99,598**	152,756
In the second year	**32,051**	186,373
In the third to fifth years, inclusive	**36,728**	43,684
Beyond five years	**52,066**	72,484
	220,443	455,297
Total bank and other borrowings and lease liabilities	**19,982,313**	18,560,297
Portion classified as current liabilities	**(1,469,173)**	(4,560,204)
Non-current portion	**18,513,140**	14,000,093

At the end of the reporting period, except for a bank loan of RMB90,591,000 denominated in US$, all other interest-bearing bank and other borrowings of the Group were denominated in RMB.

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

Notes :

(a) Bank loans were secured by:

	Notes	**2021** **RMB'000**	2020 *RMB'000*
		(Bank loan amount)	
Secured by concession rights of:	13(a)		
Chengle Expressway		**4,385,230**	2,590,000
Chengren Expressway		**1,828,353**	2,101,701
Tianqiong Expressway		**667,000**	–
Suiguang Expressway and Suixi Expressway		**7,210,000**	7,610,000
		14,090,583	12,301,701
Secured by loans to customers	18	**1,211,287**	681,299
Secured by land use rights	23	**–**	82,000
		15,301,870	13,065,000

The bank loans bear interest at rates ranging from 2.23% to 6.4% (2020: 3.10% to 6.4%) per annum.

(b) As at 31 December 2021, the Company had two (2020: two) tranches of outstanding medium term notes totalling RMB1,290,000,000 (2020: RMB1,290,000,000) issued to domestic institutional investors participating in the PRC interbank debt market. The effective interest rates for these medium term notes range from 3.49% to 6.30% (2020: 3.56% to 6.30%) per annum. These medium term notes were issued at a par value of RMB100 per unit, and will be repaid in July 2024 and May 2026, respectively, with an original maturity period of five years.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 ***RMB'000***	2020 *RMB'000*
Swaps at fair value:		
Foreign exchange swap	**2,548**	–

Derivative financial instruments are not held for trading purposes and represent fair value losses on foreign exchange swap as at 31 December 2021.

The Group uses foreign exchange swap to manage its currency risks. On 27 August 2021, the Group entered into foreign exchange swap with a bank, covering a period from 1 December 2021 to 19 July 2024. The currency swap contract entitles the Group to exchange RMB for US$ at fixed exchange rate on an aggregate principal of US$12,000,000.

33. ISSUED CAPITAL

	2021 RMB'000	2020 RMB'000
Issued and fully paid:		
A Shares of 2,162,740,000 (2020: 2,162,740,000) of RMB1.00 each	**2,162,740**	2,162,740
H Shares of 895,320,000 (2020: 895,320,000) of RMB1.00 each	**895,320**	895,320
	3,058,060	3,058,060

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

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

34. RESERVES

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

(a) Statutory surplus reserve

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

(b) Merger difference

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

34. RESERVES (CONTINUED)

(c) Safety fund reserve

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

(d) General risk reserve

Pursuant to the Notice regarding strengthening the Supervision and Management of Commercial factoring Enterprises issued by the China Banking and Insurance Regulatory Commission, the Group is required to establish the general risk reserve based on factoring receivable.

35. DISPOSAL OF A SUBSIDIARY

On 8 December 2021 (the "Disposal Date"), the Group disposed of the 91% equity interests in Renshou Landmark to Trading Landmark at a cash consideration of RMB502,465,000, of which RMB150,739,000 was paid on 25 October 2021 and RMB351,726,000 was paid on 22 December 2021, respectively. Renshou Landmark was primarily engaged in property development.

	2021 ***RMB'000***
Net assets disposed of:	
Property, plant and equipment *(note 12)*	**21,010**
Restricted deposits	**27,352**
Cash and cash equivalents	**59,563**
Trade and other receivables	**73,503**
Properties under development	**1,804,395**
Completed properties held for sale *(note 23)*	**510,360**
Interests in land held for property development *(note 22)*	**156,303**
Contract costs	**24,065**
Interest-bearing bank and other borrowings	**(1,490,325)**
Trade and other payables	**(642,730)**
Contract liabilities	**(974,574)**
Non-controlling interests	**34,134**
	(396,944)
Gain on disposal of a subsidiary *(note 5)*	**899,409**
	502,465
Satisfied by:	
Cash	**502,465**

35. DISPOSAL OF A SUBSIDIARY (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2021 *RMB'000*
Cash consideration	**502,465**
Cash and bank balances disposed of	**(59,563)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**442,902**

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, The Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,879,000 (2020: RMB17,960,000) and RMB11,879,000 (2020: RMB17,960,000), respectively, in respect of lease arrangements for plant and equipment.

During the year, the Group's service concession arrangements and the corresponding trade payables balance decreased by RMB185,071,000, arisen from the project completion audit adjustment on the construction cost of Suiguang Expressway and Suixi Expressway.

During the year, interest of a shareholder's loan borrowed by Renshou Landmark in an amount of RMB61,220,000 was converted into additional shareholder's loan.

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

(b) Changes in liabilities arising from financing activities

2021

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*	Dividends payable *RMB'000*
At 1 January 2021	18,399,892	160,405	57,871	29,434
Changes from financing cash flows	1,724,552	(24,494)	(557,191)	(305,699)
New leases *(note 14(b))*	–	11,879	–	–
Interest expenses	5,917	7,439	570,209	–
Interest paid classified as operating cash flows	–	(7,439)	–	–
Interest capitalised *(note 6)*	–	–	209,432	–
Other non-cash movement	1,196,085	–	(61,220)	–
Disposal of a subsidiary *(note 35)*	(1,490,325)	–	(165,802)	–
Foreign exchange movement *(note 5)*	(1,598)	–	–	–
Dividends declared	–	–	–	276,265
At 31 December 2021	19,834,523	147,790	53,299	–

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

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

2020

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*	Dividends payable *RMB'000*
At 1 January 2020	16,682,468	169,471	59,142	10,485
Changes from financing cash flows	1,715,290	(27,026)	(708,940)	(352,563)
New leases	–	17,960	–	–
Interest expenses	2,134	7,736	623,041	–
Interest paid classified as operating cash flows	–	(7,736)	–	–
Interest capitalised	–	–	84,628	–
Dividends declared	–	–	–	371,512
At 31 December 2020	18,399,892	160,405	57,871	29,434

(c) Total cash outflow for leases

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

	2021 ***RMB'000***	2020 *RMB'000*
Within financing activities	**24,494**	27,026

37. COMMITMENTS

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

	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Construction	**886,352**	–
Service concession arrangements	**8,967,480**	6,075,998
	9,853,832	6,075,998

38. RELATED PARTY TRANSACTIONS

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

(a) During the year, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a fellow subsidiary under common control of SIG, in relation to the provision of a computer system of the highway toll fee collection networks and the supportive technological services to the Group amounted to RMB14,175,000 (2020: RMB12,393,000). The fee was determined based on a service charge of 0.4% of toll income or RMB25,000,000 per annum, whichever is lower.

(b) During the year, the Group leased out a certain part of its office buildings to SIG for an annual rental of RMB1,221,000 (2020: RMB2,442,000). The directors consider that the office rental income received by the Group from SIG as determined under the tenancy agreement is based on the market rate for similar premises in similar locations.

(c) During the year, the Group purchased raw materials, machinery and electronic equipment for various infrastructure construction projects from fellow subsidiaries of SIG at an aggregate amount of nil (2020: RMB760,000), based on the market price.

(d) At the Disposal Date, Renshou Landmark had an outstanding loan due to Trading Landmark, amounting to RMB1,408,325,000, which will be repaid within three years. This balance is unsecured with an interest rate of 6.80% (2020: 7.80%) per annum. During the year, interest expenses recognised by the Group in respect of the loan provided by Trading Landmark totalled RMB19,400,000 (2020: RMB8,844,000).

(e) During the year, Sichuan Trading Real Estate Co., Ltd. ("Sichuan Trading Real Estate"), a fellow subsidiary under common control of SIG, was engaged by the Group to provide sales agent service for the Renshou Landmark real estate project. Sales commission recognised during the year was approximately RMB15,694,000 (2020: RMB26,991,000). The prices of such services are usually determined through public tender and bidding processes.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) During the year, fellow subsidiaries under common control of SIG was engaged by the Group to provide construction and maintenance works. The prices of such works are usually determined through public tender and bidding processes. Construction and maintenance costs recognised by the Group for such services aggregating to approximately RMB1,441,828,000 (2020: RMB1,359,012,000).

(g) During the year, Commercial Factoring Company had provided factoring services to Chengdu Sichuan Transportation Xinrong Construction Engineering Company Limited, an indirect subsidiary of SIG. Interest rates of the factoring services are usually determined through risk assessment, and the revenue recognised during the year for such services amounted to approximately RMB648,000 (2020: RMB2,767,000).

(h) During the year, Road and Bridge provided construction services for Tianqiong Expressway BOT Project. Construction cost recognised by the Group for such services during the year amounted to approximately RMB29,358,000 (2020: RMB16,180,000). The Directors considered that the amount paid for the construction services from a related company was determined based on prices similarly available to the related party's third-party customers.

(i) During the year, the Group purchased refined oil products aggregating to approximately RMB946,978,000 (2020: RMB806,070,000) from PetroChina Company Limited Sichuan Sales Branch ("PetroChina Sichuan"), a non-controlling shareholder of a subsidiary within the Group. The prices were determined by adding transportation fee to the market wholesale price of the refined oil.

(j) During the year, the Group purchased refined oil products aggregating to approximately RMB314,799,000 (2020: RMB109,235,000) from subsidiaries of Sinochem Oil Sales Company Limited, the holding company of a non-controlling shareholder of a subsidiary within the Group. The prices were determined by market wholesale price.

(k) During the year, the Group provided finance lease to Sichuan Xugu Expressway Development Co., Ltd., a fellow subsidiary under common control of SIG. The revenue recognised by the Group for such finance lease during the year amounted to RMB7,958,000. Interest rate of the finance lease is determined through risk assessment applicable to similar customers of the Group.

(l) During the year, the Group provided finance lease to Sichuan Communication. The revenue recognised by the Group for such finance lease during the year amounted to RMB13,425,000. Interest rate of the finance lease is determined through risk assessment applicable to similar customers of the Group.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(m) During the year, the Group disposed of its 91% equity interests in Renshou Landmark to Trading Landmark, a fellow subsidiary under common control of SIG, at a consideration of RMB502,465,000, and Trading Landmark took over shareholder's loans and the corresponding interest of Renshou Landmark granted by the Group at their carrying amounts. The Directors considered the consideration of disposal was determined thought negotiation on an arm's length basis.

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

	2021 ***RMB'000***	2020 *RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**5,189**	3,916
Performance related bonus	**–**	–
Pension scheme contributions	**252**	167
Supplementary pension scheme contributions	**276**	223
	5,717	4,306
Total compensation paid to key management personnel	**6,037**	4,626

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

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

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

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

2021

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	Equity investments designated at fair value through other comprehensive income *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Pledged deposits	–	–	–	–
Long-term compensation receivable	–	–	14,353	14,353
Loans to customers	–	–	2,802,116	2,802,116
Equity investments designated at fair value through other comprehensive income	–	449,055	–	449,055
Restricted deposits	–	–	2,366	2,366
Trade receivables	–	–	1,675,253	1,675,253
Financial assets included in other receivables	–	–	267,707	267,707
Financial assets at fair value through profit or loss	417	–	–	417
Cash and cash equivalents	–	–	3,837,070	3,837,070
	417	449,055	8,598,865	9,048,337

Financial liabilities

	Financial liabilities at fair value through profit or loss *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings	–	19,982,313	19,982,313
Trade payables	–	34,684	34,684
Dividend payables	–	–	–
Derivative financial instruments	2,548	–	2,548
Financial liabilities included in other payables and accruals	–	1,423,081	1,423,081
	2,548	21,440,078	21,442,626

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2020

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	Equity investments designated at fair value through other comprehensive income *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Pledged deposits	–	–	15,000	15,000
Long-term compensation receivable	–	–	24,011	24,011
Loans to customers	–	–	2,309,577	2,309,577
Equity investments designated at fair value through other comprehensive income	–	281,883	–	281,883
Restricted deposits	–	–	36,027	36,027
Trade receivables	–	–	1,957,382	1,957,382
Financial assets included in other receivables	–	–	413,072	413,072
Financial assets at fair value through profit or loss	494	–	–	494
Cash and cash equivalents	–	–	3,180,340	3,180,340
	494	281,883	7,935,409	8,217,786

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Interest-bearing bank and other borrowings	18,560,297
Trade payables	406,030
Dividend payables	29,434
Financial liabilities included in other payables and accruals	2,485,263
	21,481,024

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Pledged deposits, non-current portion	**–**	–	**–**	–
Restricted deposits	**2,366**	36,027	**2,366**	36,027
Long term compensation receivables	**3,351**	14,353	**3,351**	14,353
Equity investments designed at fair value through other comprehensive income	**449,055**	281,883	**449,055**	281,883
Loans to customers, non-current portion	**1,419,757**	1,291,105	**1,419,757**	1,291,105
	1,874,529	1,623,368	**1,874,529**	1,623,368
Financial liabilities				
Interest-bearing bank and other borrowings (other than lease liabilities):				
– Bank loans	**18,471,870**	16,815,000	**17,217,602**	14,816,717
– Medium term notes	**1,290,000**	1,290,000	**1,216,641**	1,266,725
– Other borrowings	**72,653**	294,892	**72,598**	289,219
Derivative financial instruments	**2,548**	–	**2,548**	–
	19,837,071	18,399,892	**18,509,389**	16,372,661

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

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

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

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

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

The Group had entered into derivative financial instruments, such as foreign exchange swap, with the bank. The fair values of the foreign exchange swap were estimated by the independent professional valuer using the discounted cash flow method and the estimation included some assumptions not supported by observable market rates such as credit risk, discount rate and expected future cash flows. The carrying amount of foreign exchange swaps are the same as their fair value.

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2020: Nil).

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity investments	Valuation	Average P/E multiple of peers	P/E: 7.25-9.27 (2020: P/E: 8.65-23.04 2020: P/B: 1.15-1.28)	10% (2020: 10%) increase/ decrease in multiple would result in increase/decrease in fair value by RMB35,953,000 (2020: RMB17,429,000)
		Discount for lack of marketability	20%-30% (2020: 20%-30%)	10% (2020: 10%) increase/ decrease in discount would result in decrease/increase in fair value by RMB15,225,000/(2020: RMB7,241,000)

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2021				
Equity investments designed at fair value through other comprehensive income:				
– Listed equity investments	**89,526**	**–**	**–**	**89,526**
– Unlisted equity investments	**–**	**–**	**359,529**	**359,529**
Financial assets at fair value through profit or loss	**417**	**–**	**–**	**417**
	89,943	**–**	**359,529**	**449,472**

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

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2020				
Equity investments designed at fair value through other comprehensive income:				
– Listed equity investments	107,593	–	–	107,593
– Unlisted equity investments	–	–	174,290	174,290
Financial assets at fair value through profit or loss	494	–	–	494
	108,087	–	174,290	282,377

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
As at 31 December 2021				
Derivative financial instruments		**2,548**		**2,548**

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
As at 31 December 2021				
Pledged deposits, non-current portion	–	–	–	–
Restricted deposits	–	**2,366**	–	**2,366**
Long term compensation receivables, non-current portion	–	–	**3,351**	**3,351**
Loans to customers, non-current portion	–	–	**1,419,757**	**1,419,757**
	–	**2,366**	**1,423,108**	**1,425,474**

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2020				
Pledged deposits, non-current portion	–	–	–	–
Restricted deposits	–	36,027	–	36,027
Long term compensation receivables, non-current portion	–	–	14,353	14,353
Loans to customers, non-current portion	–	–	1,291,105	1,291,105
	–	36,027	1,305,458	1,341,485

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2021				
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	**–**	**–**	**18,506,841**	**18,506,841**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	–	–	16,372,661	16,372,661

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

Risk management is carried out by the finance department which is led by the Group's executive directors. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 31. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long-term receivables and loans which are subject to floating interest rates.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank, lease liabilities and other borrowings.

With regard to 2021 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Lease liabilities	**–**	**3,135**	**24,330**	**68,260**	**52,065**	**147,790**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**–**	**660,458**	**1,649,413**	**10,859,005**	**15,335,838**	**28,504,714**
Trade and other payables	**575,530**	**170,705**	**711,530**	**–**	**–**	**1,457,765**
	575,530	**834,298**	**2,385,273**	**10,927,265**	**15,387,903**	**30,110,269**

	2020					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	626	23,185	64,109	72,485	160,405
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	1,760,173	3,532,605	7,501,478	12,444,911	25,239,167
Dividend payables	29,434	–	–	–	–	29,434
Trade and other payables	1,216,893	547,204	1,127,196	–	–	2,891,293
	1,246,327	2,308,003	4,682,986	7,565,587	12,517,396	28,320,299

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The long-term compensation receivables from XDG and loans to customers do not expose the Group to any additional credit risk as (i) the credit risk associated has been factored in the imputed interest rate used for discounting the value of the compensation receivables and loans to customers in future to their carrying amounts; (ii) the Group holds collateral over the loans to customers in the form of a sale-leaseback principal of a finance lease. In the event of any material default on interest payment terms, the Group is contractually entitled to enforce the security rights over any collateral and dispose of the assets underlying the leases to realise their value. As the Group's major customers in the construction contracts segment are the PRC government agencies and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets	–	–	–	31,000	31,000
Trade receivables	1,519,812	154,155	–	52,532	1,726,499
Financial assets included in other receivables					
– Normal*	267,707	–	–	–	267,707
– Doubtful*	–	–	97,103	–	97,103
Pledged deposits					
– Not yet past due	–	–	–	–	–
Loans to customers	–	–	–	–	–
– Normal*	2,666,922	135,194	–	–	2,802,116
– Doubtful*	–	–	–	–	–
Restricted deposits					
– Not yet past due	2,366	–	–	–	2,366
Cash and cash equivalents					
– Not yet past due	3,837,070	–	–	–	3,837,070
	8,293,877	289,349	97,103	83,532	8,763,861

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets	–	–	–	31,000	31,000
Trade receivables	1,793,721	153,000	–	25,457	1,972,178
Financial assets included in other receivables					
– Normal*	413,072	–	–	–	413,072
– Doubtful*	–	–	95,264	–	95,264
Pledged deposits					
– Not yet past due	15,000	–	–	–	15,000
Loans to customers	–	–	–	–	–
– Normal*	2,177,443	–	–	–	2,177,443
– Doubtful*	132,134	–	–	–	132,134
Restricted deposits					
– Not yet past due	36,027	–	–	–	36,027
Cash and cash equivalents					
– Not yet past due	3,180,340	–	–	–	3,180,340
	7,747,737	153,000	95,264	56,457	8,052,458

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is the Group's total liabilities over its total assets. The Group's policy is to keep the gearing ratio at a healthy capital level in order to support its businesses. The Group's gearing ratio as at 31 December 2021 was 54.61% (2020: 59.08%).

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in HK$.

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

42. CONTINGENT LIABILITIES

At 31 December 2021, the Group did not have any material contingent liabilities.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**386,983**	417,861
Right-of-use assets	**210,046**	242,136
Service concession arrangements	**8,696,019**	9,229,270
Investments in subsidiaries	**8,405,867**	8,587,867
Investment in a joint venture	**132,438**	132,438
Investments in associates	**38,438**	38,438
Equity investments designed at fair value through other comprehensive income	**384,314**	203,526
Contract assets	**10,000**	10,000
Restricted deposits	**28**	–
Deferred tax assets	**–**	26,604
Total non-current assets	**18,264,133**	18,888,140
CURRENT ASSETS		
Inventories	**197**	197
Trade and other receivables	**84,327**	136,323
Financial assets at fair value through profit or loss	**–**	–
Due from subsidiaries	**5,173,462**	5,272,421
Cash and cash equivalents	**3,438,094**	2,381,315
Total current assets	**8,696,080**	7,790,256
CURRENT LIABILITIES		
Tax payable	**65,276**	64,205
Other payables and accruals	**675,812**	715,807
Contract liabilities	**18,807**	15,745
Interest-bearing bank and other borrowings	**343,276**	3,652,464
Due to subsidiaries	**2,159,680**	2,336,169
Total current liabilities	**3,262,851**	6,784,390
NET CURRENT ASSETS	**5,433,229**	1,005,866
TOTAL ASSETS LESS CURRENT LIABILITIES	**23,697,362**	19,894,006

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

	2021	2020
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	5,998,687	3,561,704
Deferred tax liabilities	10,648	–
Deferred income	114,811	138,918
Total non-current liabilities	6,124,146	3,700,622
Net assets	17,573,216	16,193,384
EQUITY		
Issued capital	3,058,060	3,058,060
Reserves	14,515,156	13,135,324
Total equity	17,573,216	16,193,384

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

Note:

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

	Share premium account	Statutory surplus reserve	Retained profits	Fair value reserve of equity investments designated at fair value through other comprehensive income	Difference arising from the acquisition of non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	2,654,601	5,012,944	5,193,405	70,151	(244,529)	12,686,572
Total comprehensive income/(loss) for the year	–	–	860,106	(74,967)	–	785,139
Transfer to/(from) reserve	–	345,028	(345,028)	–	–	–
Final 2019 dividend paid	–	–	(336,387)	–	–	(336,387)
At 31 December 2020 and 1 January 2021	2,654,601	5,357,972	5,372,096	(4,816)	(244,529)	13,135,324
Profit for the year	**–**	**–**	**1,410,819**	**–**	**–**	**1,410,819**
Other comprehensive income/(loss) for the year:						
Changes in fair value of equity investments through other comprehensive income, net of tax	**–**	**–**	**–**	**213,658**	**–**	**213,658**
Total comprehensive income for the year	**–**	**–**	**1,410,819**	**213,658**	**–**	**1,624,477**
Transfer to/(from) reserve	**–**	**565,876**	**(565,876)**	**–**	**–**	**–**
Disposal of financial assets at fair value through other comprehensive income	**–**	**–**	**21,739**	**(21,739)**	**–**	**–**
Final dividend proposed	**–**	**–**	**(244,645)**	**–**	**–**	**(244,645)**
At 31 December 2021	**2,654,601**	**5,923,848**	**5,994,133**	**187,103**	**(244,529)**	**14,515,156**

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

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 March 2022.