

# Sichuan Expressway Company Limited

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

(Stock Code: 00107)



## 2022 ANNUAL REPORT

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# 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

## DEFINITIONS (CONTINUED)

### 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 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 Supply Chain Management Company	Sichuan Chengyu Xingshu Supply Chain Management Company Limited (四川成渝興蜀供應鏈管理有限公司) (formerly known as "Sichuan Chengyu Commercial Factoring Company Limited (四川成渝商業保理有限公司)", "Tianyi United Commercial Factoring (Luzhou) Company Limited (天乙多聯商業保理(瀘州)有限公司)", and the changes of name and scope of operations were completed on 28 June 2022



## DEFINITIONS (CONTINUED)

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 Shunan Company	Renshou Shunan Investment Management Company Limited
Shudao Chengyu Investment Company	Sichuan Shudao Chengyu Investment Company Limited (四川蜀道成渝投資有限公司) (formerly known as "Chengdu Shuhai Investment Management Company Limited (成都蜀海投資管理有限公司)" with former abbreviation "Shuhai Company"), and the change of name was completed on 20 October 2022
Shudao New Energy Company	Sichuan Shudao New Energy Technology Development Co., Ltd.* (四川蜀道新能源科技發展有限公司) (formerly known as "Sichuan Chengyu Transportation Technology Development Co., Ltd.* (四川成渝交通科技發展有限公司)", "Sichuan Chengyu Education Investment Co., Ltd. (四川成渝教育投資有限公司)", and the changes of name and scope of operations were completed on 1 June 2022
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.

## DEFINITIONS (CONTINUED)

### III. OTHERS

2022 AGM	the 2022 annual general meeting of the Company to be held on 25 May 2023 (Thursday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 20 April 2023 (Thursday)
A Share(s)	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Articles of Association	the articles of association of the Company, as amended from time to time
associate(s)	has the meaning ascribed thereto under the Listing Rules of the Stock Exchange
associated corporation(s)	has the meaning ascribed thereto under the SFO
Audit Committee	the audit committee under the Board
Board	the board of Directors of the Company
BOT Project	build-operation-transfer project
BT Project	build-transfer project
Chengle Expressway Capacity Expansion Construction Project	Capacity Expansion Construction Project for Chengdu to Leshan Expressway
Chengle Expressway Capacity Expansion Trial Project	Capacity Expansion Trial Project for Qinglongchang to Meishan Section of Chengle Expressway
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
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

## DEFINITIONS (CONTINUED)

CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company
Dividend Entitlement Date	14 June 2023 (Wednesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2022 final dividend of the Company (if approved by the Shareholders at the 2022 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)
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

## DEFINITIONS (CONTINUED)

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
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 Expressway	Sichuan Shudao Expressway Group Co., Ltd.*(四川蜀道高速公路集團有限公司)
Shudao Group	Shudao Investment and its subsidiaries
Shudao Investment	Shudao Investment Group Co., Ltd., the controlling shareholder of the Company
Sichuan Expressway Construction and Development	Sichuan Expressway Construction & Development Group Co., Ltd.
SRB Group	Sichuan Road and Bridge Construction Group Company Limited
SSE	Shanghai Stock Exchange



## DEFINITIONS (CONTINUED)

STIG	Sichuan Transportation Investment Group Corporation Limited, the controlling shareholder of the Company
STIG Group	STIG and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategic Committee	the strategic committee under the Board
Suiguang Suixi Expressways BOT Project	the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build-operate-transfer)
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	supervisory committee of the Company
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 2022

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

<b>Statutory Chinese and English Names of the Company</b>	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
<b>Legal Representative</b>	Gan Yongyi
<b>Website</b>	<a href="http://www.cygs.com">http://www.cygs.com</a>
<b>Company's Registered Address and Office Address</b>	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
<b>Postal Code</b>	610041
<b>Secretary to the Board</b> <sup>note 1</sup>	Yao Jiancheng
<b>Tel</b>	(86) 28-8552-7504
<b>Joint Company Secretaries</b> <sup>note 1</sup>	Yao Jiancheng and Wong Wai Chiu
<b>Representative of Securities Affairs</b> <sup>note 2</sup>	Qiu Zhu
<b>Tel</b>	(86) 28-8552-7109
<b>Fax</b>	(86) 28-8553-0753
<b>Investors' Hotline</b>	(86) 28-8552-7109
<b>E-mail</b>	db@cygs.com
<b>Contact Address</b>	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
<b>Stock Exchanges of the Listing Shares</b>	<div>A Shares: Shanghai Stock Exchange</div> <div>Stock Code: 601107</div> <div>Stock Name: Sichuan Express</div> <div>H Shares: The Stock Exchange of Hong Kong Limited</div> <div>Stock Code: 00107</div> <div>Stock Name: Sichuan Express</div>

*Note 1:* On 22 March 2022, Mr. Zhang Yongnian has resigned as (i) the company secretary; and (ii) an authorised representative of the Company under Rule 3.05 of the Listing Rules on the Stock Exchange due to his further personal career commitments. On 30 March 2022, the Company convened the twenty-first meeting of the seventh session of the Board, at which agreed to elect Mr. Guo Renrong, the financial controller of the Company, to act as the acting secretary to the Board of the Company until the date when the newly appointed secretary to the Board officially takes office.

On 14 June 2022, the Company convened the twenty-third meeting of the seventh session of the Board and resolved to appoint Mr. Yao Jiancheng as the secretary to the Board of the Company and to appoint Mr. Yao Jiancheng and Mr. Wong Wai Chiu as the joint company secretaries of the Company. Concurrently, Mr. Yao Jiancheng and Mr. Wong Wai Chiu have been appointed as authorised representatives of the Company as required under Rules 3.05 of the Listing Rules.

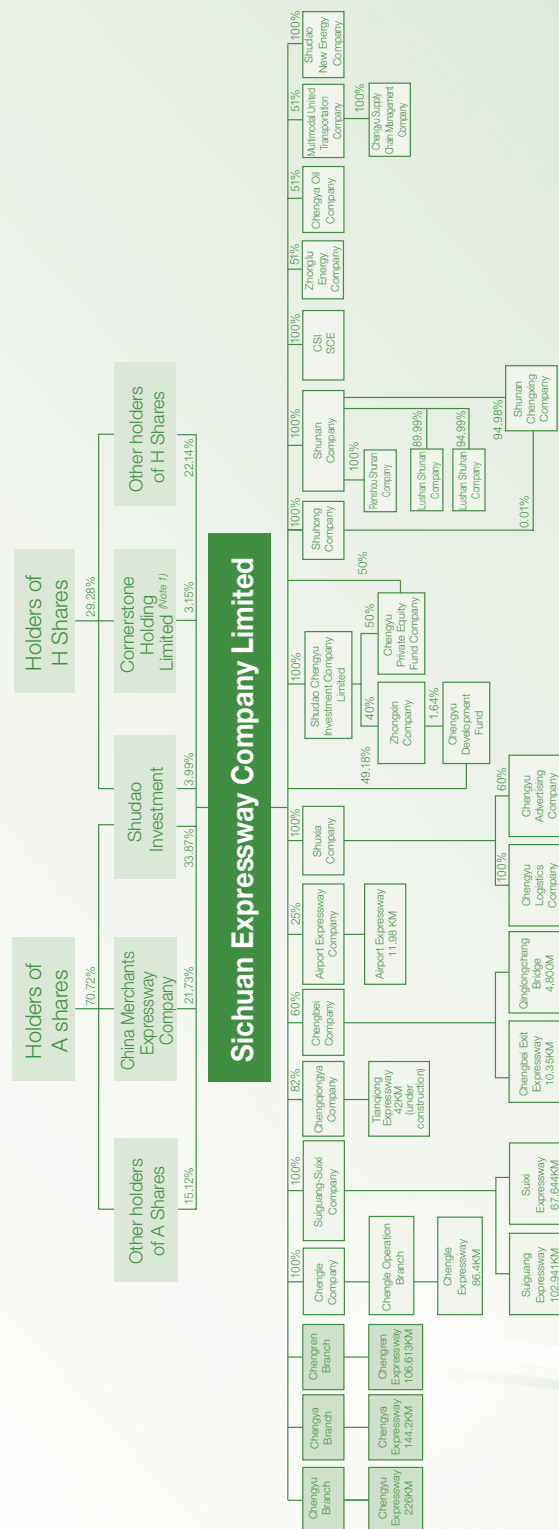
*Note 2:* Ms. Wang Aihua ceased to serve as the representative of securities affairs of the Company due to work adjustment. On 14 June 2022, the Company convened the twenty-third meeting of the seventh session of the Board and resolved to appoint Ms. Tu Wenying as the representative of securities affairs of the Company. Ms. Tu Wenying ceased to serve as the representative of securities affairs of the Company due to work adjustment. On 30 March 2023, the Company convened the fourth meeting of the eighth session of the Board and resolved to appoint Ms. Qiu Zhu as the representative of securities affairs of the Company for a term until the expiry of the term of office of the eighth session of the Board of the Company. Ms. Qiu Zhu is eligible for re-election upon expiry of her term of office.

## CORPORATE INFORMATION (CONTINUED)

<b>Newspapers Selected by the Company for Information Disclosure</b>	China Securities Journal, Shanghai Securities News
<b>Websites Designated for Publication of the Annual Report of the Company</b>	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> <a href="http://www.cygs.com">http://www.cygs.com</a>
<b>Place for Inspection of the Annual Report of the Company</b>	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
<b>International Auditor</b>	Ernst & Young Certified Public Accountants 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
<b>PRC Auditor</b>	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
<b>Hong Kong Legal Adviser</b>	Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
<b>PRC Legal Adviser</b>	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)
<b>Domestic Shares Registrar and Transfer Office</b>	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, 188 South Yanggao Road, Pudong New Area, Shanghai, the PRC
<b>Hong Kong Shares Registrar and Transfer Office</b>	Hong Kong Registrars Limited 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
<b>Principal Place of Business in Hong Kong</b>	Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
<b>Unified Social Credit Code</b>	9151000020189926XW
<b>Principal Banker</b>	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 and the expansion of traditional core businesses of derivative economy along the expressway, as well as the incubation and development of the second main business of green energy with a focus on "charging, battery bank + power replacement and hydrogen energy". 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, Suixi Expressway, Suiguang Expressway and Tianqiong Expressway under construction. As of 31 December 2022, the expressways mileage of the Group has reached approximately 744km in total, the length of Tianqiong expressways under construction was approximately 42km, the length of expansion of Chengle Expressway, including the 86.4km of the original Chengle Expressway, was approximately 136.1km. The Group's total asset and net asset were approximately RMB40,068,640,000 and RMB18,720,620,000 respectively.

As of 31 December 2022, 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 Holding Limited, a wholly-owned subsidiary of China Merchants Expressway Company, was interested in the H shares of the Company. By virtue of the SFO, China Merchants Expressway Company is therefore deemed to be interested in such Shares held by Cornerstone Holding Limited.
2. The Company convened the twenty-fourth meeting of the seventh session of the Board, the twentieth meeting of the seventh session of the Supervisory Committee on 30 June 2022 and the fourth Extraordinary General Meeting of Shareholders in 2022 on 30 August 2022, respectively, to consider and approve the Resolution on the Transfer of 44.95% Equity Interests in Chengyu Leasing, transferring 44.95% equity interests in Chengyu Leasing to Shudao Capital Holding Group Co., Ltd., a related party, at a transfer price of RMB296.67 million. On 31 October 2022, Chengyu Finance Leasing Company held the thirty-sixth meeting of the second session of the Board to record Shudao Capital in the register of shareholders of Chengyu Finance Leasing Company. Upon completion of the transfer of Chengyu Leasing, the Company only held 25.05% equity interests in Chengyu Finance Leasing Company through its wholly-owned subsidiary, CSI SCE Investment Holding Limited, and ceased to include it in the scope of the consolidated statements of the Company.

## COMPANY PROFILE



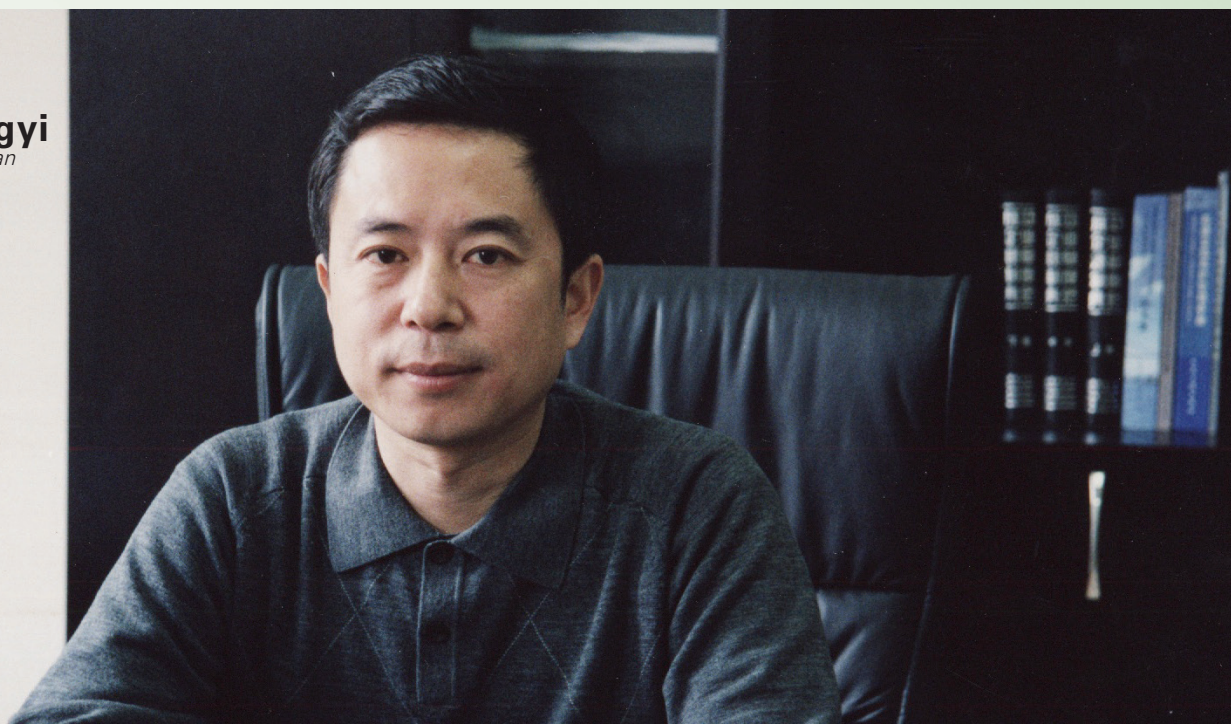
## COMPANY PROFILE (CONTINUED)

### 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 2022, in the face of the complex and severe international environment and market conditions, the Group worked hard under great pressure to overcome difficulties, earnestly implemented various strategic plans, along with the adherence to the core idea of "focusing on the highway and green energy as the main business", improvement in the competitiveness of advantageous industries and stimulation of the vitality of reform and innovation, achieving a good start of the "14th Five-Year Plan" and a perfect ending to the three-year reform of state-owned enterprises.

## RESULTS AND DIVIDENDS

In 2022, the Group's profit attributable to the owners of the Company was approximately RMB764,821,000, representing a year-on-year decrease of 59.12%. Basic earnings per share were approximately RMB0.25 (2021: approximately RMB0.612). 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 2022 of RMB0.10 per share (tax inclusive), aggregating to approximately RMB305,806,000, representing 47.96% of the profit available for distribution to the Shareholders recorded by the Company for the year in accordance with the PRC accounting standards and 40.12% 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 2022 Annual General Meeting of the Company.



## CHAIRMAN'S STATEMENT (CONTINUED)

### REVIEW

**Macroeconomy made steady progress and forged ahead amid difficulties.** In 2022, the country achieved positive results in the efficient coordination of economic and social development, stabilized the macroeconomic situation, achieved new results in high-quality development, and maintained a harmonious and stable economic and social situation. The national economy continued to develop against the pressure, and the total economic output reached a new level with the annual GDP of RMB121.02 trillion, representing an increase of 3.0% as compared with that of previous year calculated at the constant prices. The added value of the service industry amounted to RMB63.87 trillion, representing an increase of 2.3% as compared with that of the previous year.<sup>1</sup> During the year, Sichuan Province fully implemented national decisions and arrangements, implemented the new development concept, proactively served and integrated into the new development pattern, insisted on high quality development, coordinated development and security, and continued to do a good job of “six stabilities” and “six guarantees”. The average annual growth rate of the province’s GDP was 0.8 percentage points higher than that of the whole country, crossing two steps to reach RMB5.67 trillion, and the per capita GDP exceeded RMB65,000. The average annual growth rate of the added value of the service industry was 0.8 percentage points higher than that of the whole country, accounting for over 52%.<sup>2</sup>

**The transportation industry maintained a resilient and steady operation.** In 2022, the total scale of China’s comprehensive transportation infrastructure has been in the forefront of the world, and the spatial pattern of the main skeleton of the “6 axes, 7 corridors and 8 channels”<sup>3</sup> national comprehensive three-dimensional transportation network has basically taken shape, and the world’s largest high-speed railway network, expressway network and world-class port cluster have been built. As of the end of 2022, the country’s comprehensive transportation network had a total mileage of over 6 million kilometers, with 5.35 million kilometers of highways open to traffic, including 177,000 kilometers of expressways.<sup>4</sup> In 2022, a number of landmark major transportation projects were built in Sichuan Province as well as the logistics were effectively coordinated to ensure smooth traffic, and all key tasks were steadily advanced. 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 total planned mileage of expressways in Sichuan Province is about 20,000 kilometers. 9 projects (sections) and 571 kilometers of expressways in Sichuan were completed and opened to traffic during the year, making the traffic mileage of expressways in Sichuan reach 9,179 kilometers, ranking the third<sup>5</sup> in the country. In addition, Sichuan Province and Chongqing’s transportation departments have cooperated closely to promote the development of transportation integration in Chengdu-Chongqing twin-city economy circle (成渝地區雙城經濟圈).

In 2022, the Company earnestly implemented various strategic plans with clearer development objectives, formulated and formed the “14th Five-Year Plan”, broadened the industrial upgrade path and enhanced the Company’s sustainable development capability. The Company coordinated production and operation, improved the operation and management level, strengthened cost control, created revenue and increased profits, fully accomplished the objectives and was once again awarded as one of the Top 100 Enterprises in Sichuan and Top 100 Enterprises within the Service Industry.

<sup>1</sup> Source: National Bureau of Statistics

<sup>2</sup> Source: Sichuan Provincial People’s Government Website

<sup>3</sup> “6 axes, 7 corridors and 8 channels”: Beijing, Tianjin, Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing twin-city economy circle are the four poles, among which, there are 6 traffic axes, 7 traffic corridors and 8 traffic channels

<sup>4</sup> Source: <https://www.gov.cn/>

<sup>5</sup> Source: Ministry of Transport of China Website

## CHAIRMAN'S STATEMENT (CONTINUED)

**The core business played its role through accumulative strengths.** The highway investment, construction and operation segment, as the Company's traditional main business, includes two major detailed areas, namely, operation of expressways and highway derivative economy along the lines. During the year, the successful completion of Chengle Expansion Construction Project "dense beam type steel composite girder bridge" provided an engineering technology demonstration for the bridge's low-carbon, intelligent and assembly construction concept, and a new breakthrough for accelerating the transformation and upgrading of the domestic bridge industry. The road sections under its management of the Company continuously maintained high-quality operation and maintenance quality and service level, carried out the operation to fight against criminal evasion, improved the audit data model, strengthened the dynamic analysis of tolls and trend prediction; deeply integrated internal resources, fixed staffing to control the total number of staff, streamlined organizations, compressed business management levels, and improved the efficiency of input and output; optimized the distribution of operating rights in the service area, improved the yield rate, and doubled the leasing profit; improved service quality, and built a strong road product management and maintenance team; steadily promoted road derivative economy, cultivated new business of multimodal transportation market, expanded the quantity and improved the quality of transport and trade integration, promoted the projects of North-to-South grain transportation, dry bulk container and cargo hub on the southbound corridor, and successfully launched the first "Chengdu-Chongqing multimodal transportation and operation" (成渝多聯號) China-Europe Railway Express.

**The main business under incubation has emerged.** The green energy segment, as the Company's main business under incubation, covers charging, battery bank + power replacement, hydrogen energy and other sub-business areas. With Sichuan Shudao New Energy Technology Development Co., Ltd.\* (四川蜀道新能源科技發展有限公司) as the professional platform and implementation entity, the Company has been able to contract business and expand projects in a timely manner. During the year, the Company acquired the first batch of charging stations in the road network and operated such effectively, at the same time undertook to acquire the second batch of charging stations within the road network; started the construction of the heavy truck power replacement project along the Chengdu-Chongqing Electric Corridor, which successfully built the first high-speed "power exchange corridor" in China and promoted the construction of six power exchange stations; at present, Zizhong Parking Area Charging and Exchange Station(資中停車區充換電站) and Chengdu Longquan Minsheng Logistics Park Charging and Exchange Station(成都龍泉民生物流園充換電站) completed their first operation service since its completion, marking the successful completion of the first integrated highway heavy truck charging and exchange station (Zizhong Parking Area Charging and Exchange Station) in China. The Company promoted the establishment of industrial funds in an orderly manner, connecting the upstream and downstream enterprises in the industrial chain and leading the construction of industrial clusters. The Company promoted a research project entitled "Highway Service Area Hydrogen Refueling Station Demonstration Project and Supporting Standards Study"(高速公路服務區加氫站示範項目與配套標準研究) by a successful implementation of the pilot hydrogen energy business and completing the filling of the hydrogenation station in Jianyang service area.

**The key projects were progressed steadily.** The Qingyi River Bridge in the Leshan Crossing Section of the Chengle Expansion Construction Project was fully closed and the mainline bridge at the Qinlong Interchange in the direction from Leshan to Chengdu, a low-carbon intelligent assembly project, was completed, and the two transportation science and technology projects in Sichuan Province, namely "Research on Key Technologies for Construction of Low-carbon Intelligent Assembly Composite Bridges" and "Research on Key Technologies for Standard-span Dense-beam Steel Composite Bridges", were approved; the design of intelligent bridge construction equipment was completed and the development of prototypes was started; the revised engineering feasibility report was approved by the Provincial Development and Reform Commission and was transferred to the implementation stage of the PPP project; the Meishan Section and Leshan Section were both granted land use approvals; the widened section of the original road between Meishan and Leshan, which was opened to traffic, won the gold



## CHAIRMAN'S STATEMENT (CONTINUED)

award of Tianfu Cup, Sichuan (四川省天府盃金獎). The Tianqiong Project completed the construction of pile foundations for the whole line and the substructure of Yang'an elevated bridge; the projects underwent a number of micro-innovations and received industry awards with the first prize in the BIM construction group in the "Golden Standard Cup" of the SAC/TC426; the projects also obtained the land approval for the whole line, which recorded the fastest speed for the same period of the highway in our province. Suiguang Suixi Expressways formulated the first draft of the completion audit report and obtained the access grants to the Taihe Heron Reserve (太和鷺鳥保護區); Shudaoyi Lihua Super Service Area (蜀道驛 • 梨花超級服務區) successfully held a groundbreaking ceremony demonstrating its optimized project positioning and operation plan; the project of Yongxing Service Area (永興服務區) confirmed its consulting organization, and formed its partner solicitation scheme.

**The financial operation was stable and coordinated.** The Company's continuous improvement in its financial control system has led to remarkable results: firstly, the controllable cost was significantly reduced as compared with the projected budget at the beginning of the year, by focusing on the main line of cost control, thorough cost reduction and efficiency improvement; secondly, we seized the opportunity of the capital market and continued to strengthen the centralized management of funds; thirdly, the Company consolidated its credit foundation, obtained the approval of corporate bonds registration of RMB5 billion, and was awarded as the highest AAA rating of entities and bonds by China Chengxin International for 7 consecutive years and Golden Credit Rating International for 3 consecutive years; fourthly, we have been actively pursuing for policy incentives. In addition, the Company built the Group's first supply chain financial platform "Shu Chain Cloud" (蜀鏈雲) and issued the first electronic debt certificate "Rong Yi Dan" (融易單).

**Risk management was solidly implemented.** The Company has adhered to compliance management, strictly abided by the internal control system, and done a solid job in risk prevention of its operations and investments, safety and environmental protection, etc. to ensure the steady development of the Company. Firstly, the Company formulated and improved systems including internal audit, comprehensive risk management, responsibility for illegal operations and investments, simplified and optimized the internal control manual, and enhanced its operability and practicality. Secondly, the Company promoted the construction of a compliance and internal control system, and established and improved a standardized system throughout the decision-making, implementation, supervision and audit areas. Thirdly, the Company carried out the construction of "three bases" for high-speed production safety operation, ensured network security, and strengthened the defense line of safety and environmental protection. Fourthly, the Company bared more responsibility, enhanced publicity, implementation and testing to reduce the impact of work delays.

## PROSPECTS AND STRATEGIES

2023 represents the beginning of the full implementation of the spirit of the 20th CPC National Congress, the year for the Company to carry forward the 14th Five-Year Plan, and also the critical period for the optimization of the Company's industrial layout, the deepening of the reform of state-owned enterprises, and the accelerated construction of the market mechanism. We must take a clear view of the situation, and continue our victorious pursuit in a stable and proactive way.

## CHAIRMAN'S STATEMENT (CONTINUED)

**In terms of the macroeconomic environment,** the global market remains severely complexed, with soaring uncertainty of the external environment, the global inflation is still at a high level marking weak momentum in global economy and trade growth. Domestic economic growth and stable and proactive fundamentals still need to be consolidated. Three major pressures of shrinking demand, supply shock and weakening expectation are still relatively prominent; private investment and private enterprise expectations are not yet stable, small and medium-sized enterprises and individual entrepreneurs face various difficulties and the task of stabilizing employment is arduous. However, with the constant characteristics of China's strong economic resilience, great potential and full vitality, the resumption of production and life order is expected to be accelerated and the economic environment is rising in a positive direction. In 2023, China will comprehensively deepen reforms, optimize its business environment, vigorously boost the confidence of market entity, organically combine the implementation of the strategy of expanding domestic demand with deepening supply-side structural reform, implement a new combined tax and fee support policy, utilize a series of stimulus packages and follow-up measures, make efforts to stabilize growth, employment and prices, effectively prevent and resolve major risks, and accelerate the recovery of consumption and economy.

**In terms of the regional economy,** Sichuan Province is committed to taking high-quality development as the primary task of socialist modernization and constantly consolidating the good momentum of the current economic recovery. This will be done through closely focusing on consumption recovery and project investment promotion, accelerating the transformation and upgrades of the service industry, aiming to build up a new system of service industry supported by key industries and led by new business models with the advantages of Sichuan. Taking the construction of the Chengdu-Chongqing twin-city economy circle as the general guidance and "Four Modernizations, Urban-Rural Integration, Co-prosperity in Five Areas"<sup>6</sup> as the epicenter, Sichuan Province adheres to the general idea of "political awareness, focus on development, benefiting livelihood and ensuring security", promotes the construction of the Chengdu-Chongqing twin-city economy circle with outstanding progress, accelerates the construction of modern infrastructure, focuses on the construction of "Four Directions and Eight Corridors" external channel<sup>7</sup>, builds the main framework of a comprehensive transport network, implements the "Electric Sichuan" action plan<sup>8</sup>, and illustrates the chapter of modern Sichuan through the Chinese style.

<sup>6</sup> "Four Modernizations, Urban-Rural Integration, Co-prosperity in Five Areas" focuses on solving the problem of unbalanced and inadequate development in Sichuan, strives to promote the same pace of four modernizations, consolidates foundation by the lead of new industrialization, informatization, urbanization, agricultural modernization, promotes the deep integration of informatization and industrialization, the positive interaction between industrialization and urbanization, and the mutual harmonization of urbanization and agricultural modernization. It promotes the changes in quality, efficiency, and growth drivers as well; pushes urban-rural integration to further break down the urban-rural dual structure, smooths the urban-rural economic cycle, promotes the mutual flow and optimal allocation of urban and rural resources, facilitates the collaborative development of urban and rural industries, the integrated layout of infrastructure, and the sharing of public services for the benefit of all, and seeks to accelerate the new relationship between industry and agriculture and between urban and rural areas with the mutual promotion between industry and agriculture, urban-rural complementation, coordinated development and common prosperity; it strives to boost the common prosperity of the five areas and adheres to the extreme core leadership of Chengdu, the driving force of the metropolitan area, and the support of the growth pole, promoting the coordinated development of Chengdu Plain, Southern Sichuan, Northeast Sichuan, Panxi Economic Zone and Northwest Sichuan Ecological Demonstration Zone at a high level. It puts more effort into the promotion of "Those Who Become Prosperous First to Help Those Who Lag Behind", so as to boost the development of advantageous areas, enhance the protection of ecological function areas and shorten the gap of late-developing potential areas.

<sup>7</sup> "Four Directions and Eight Corridors" external channel represents the plan and construction of two comprehensive transportation corridors in each of the four directions in the north, east, south and west of Sichuan province, namely the Sichuan-Guizhou-Guangdong-Guangxi corridor and Sichuan-Yunnan corridor to the south, the Yangtze River North corridor and Yangtze River South corridor to the east, the Sichuan-Gansu-Qinghai-Xinjiang corridor and the Sichuan-Tibet corridor to the west, and the Sichuan-Shaanxi-Beijing corridor and the Sichuan-Shaanxi-Mongolia corridor to the north. Each corridor has more than two ground transportation routes with high capacity and high efficiency.

<sup>8</sup> The "Electric Sichuan" action plan focuses on the construction of charging and replacement infrastructure, the application and promotion of new energy vehicles, the cultivation and expansion of the power battery industry, and the upgrading of the new energy vehicle industry to accelerate the process of electrification in key areas.

## CHAIRMAN'S STATEMENT (CONTINUED)

**In terms of industry development prospects,** China will accelerate to develop into a strong transportation country, highlighting the importance of smooth traffic insurance, investment expansion, market stabilization, structure adjustment, safety guarantee and risk prevention; continue speeding up the improvement of the modern comprehensive transportation system and its development into a unified and open transportation market, as well as promoting the innovation-driven development and clean and low-carbon transformation of transportation. In 2023, Sichuan transportation will promote its high-quality development into a strong transportation province to build a national comprehensive three-dimensional transportation system and fully play the role of the main force of transportation to promote investment, stabilize growth and benefit people's livelihood. Sichuan Province plans to complete more than 500 kilometers of expressways and start more than 600 kilometers of new construction, which will provide opportunities for the Company to inject more quality road products and exemplify more expressway management experience through its service provided. In the future, with the increasing mileage of toll road operation and the continuous improvement of market environment, the operation of the toll road industry will also be significantly improved.

**In terms of the Company's development,** the Company has formed the "14th Five-Year Plan" development plan. Since the three-year reform of state-owned enterprises, the Company has vigorously promoted the optimization of the layout and structural adjustment, established two major business segments of "highway investment, construction and operation" and "green energy" with clearer functional positioning and expanding scope of subsequent developments. However, the Company also encountered many problems including weak capital market performance, insufficient follow-up growth momentum, insufficient use of resources, and inflexible institutional mechanisms. In 2023, we will focus on the core idea of "focusing on the main responsibility of highway and green energy", build up the cornerstone in lucrative industries, intensify capital operation, actively boost market value performance, promote intelligent construction of infrastructure, implement digital transformation of industrial projects, upgrade the information of the management model, and help build a modernized transportation industry system.

Firstly, the Company will promote project construction and expand the advantages of pillar industries in all aspects. The Company will make solid construction plans, tighten project cost control, and fully promote the electrification of construction equipment and push forward the progress of various highway derivative economy projects. Secondly, the Company will carry out scientific and technological innovation, technical breakthrough and launch low-carbon intelligent projects. The Company will promote the application of low-carbon intelligent assembly composite bridge construction technology, lead the research and development of intelligent construction equipment, and focus on the construction of smart highway. The Company will also establish an information-based integrated management platform that includes the operation of various highway businesses to replace one-way development with intensive integration. Thirdly, the Company will expand the new energy business network and optimize the green energy layout. The Company will strengthen equity cooperation with upstream and downstream enterprises in the industry chain through industrial investment, utilizing the advantages of quality project reserves and matching, accelerate the deployment of new business modes and broaden the external market. The Company will also promote the construction of power replacement stations, steadily put forward the industry fund projects, and build a high-standard demonstration hydrogen refueling station. Fourthly, the Company will improve the market-oriented operation mechanism and deepen substantive capital operation. The Company will continue the injection of high-quality assets, intensify market value management, and expand the valid business scale to proactively identify mature road property targets inside and outside Sichuan, steadily conduct investment mergers and acquisitions, and study the securitization of assets and financing methods so as to improve the asset structure. Fifthly, the Company will optimize financial control and effectively prevent and resolve major risks. The Company will make efforts in budget assessment to facilitate financial digital transformation, promote the construction of compliance and internal control system, refine the safety production management and ecological and environmental protection.



## CHAIRMAN'S STATEMENT (CONTINUED)

### 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 2023



# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Li Wenhui**

*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 the expansion of traditional core businesses of derivative economy along the expressway, as well as the incubation and development of the second main business of green energy with a focus on “charging, battery bank + power replacement and hydrogen energy”. In 2022, as the international environment became severely complexed, the downward pressure on the domestic economy intensified and the progress of the Company’s achieving its economic targets were affected to a certain extent by the combined factors including the diversion of traffic flow of road network, power supply curtailment during high temperature period and the decline in demand for public travel. The Group, withstanding the pressure, faced up to the difficulties and stuck to its original aspiration, expanded its business, strengthened protection and prevented risks, accelerated the construction of key projects and built a solid foundation for its advantageous industries; the Group made every effort to strengthen cost control and improve quality, deeply integrated its internal resources and did a good job in cost control; the Group actively focused on its main responsibilities in expressways and green energy which were its principal businesses, promoted the road of transformation and upgrading, and explored the path of smooth implementation of the Group’s “14th Five-Year” development plan.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The net revenue of the Group amounted to approximately RMB9,763,056,000 this year, representing an increase of approximately 10.56% year-on-year. In particular, the expressway segment achieved net revenue of approximately RMB3,102,301,000, representing a year-on-year decrease of approximately 10.49%; the new energy technology segment achieved net revenue of approximately RMB11,665,000, representing a year-on-year increase of approximately RMB11,665,000; the transportation services segment achieved net revenue of approximately RMB1,962,054,000, representing a year-on-year increase of approximately 3.31%; the transportation logistics segment achieved net revenue of approximately RMB322,397,000, representing a year-on-year increase of approximately 780.60%; the construction services segment achieved net revenue of approximately RMB4,210,364,000, representing a year-on-year increase of approximately 61.26%; others segment achieved net revenue of approximately RMB154,275,000, representing a year-on-year decrease of approximately 81.13%. The profit attributable to the owners of the Company was approximately RMB764,821,000, representing a decrease of 59.12% year-on-year. Basic earnings per Share were approximately RMB0.250 (2021: approximately RMB0.612). As at 31 December 2022, the Group's total assets amounted to approximately RMB40,068,636,000 and net assets amounted to approximately RMB18,720,619,000.

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

	Revenue for 2022 (after deduction of turnover tax) (RMB '000)	Year-on-year increase/ (decrease) in revenue for 2022 (%)	Profit/(loss) for 2022 (RMB '000)	Year-on-year increase/ (decrease) in profit/(loss) for 2022 (%)
Chengyu Branch <sup>(Note 1, 2)</sup>	650,559	(13.83)	159,096	(33.31)
Chengya Branch <sup>(Note 1, 2)</sup>	887,470	(13.53)	397,007	(18.66)
Chengren Branch <sup>(Note 1, 2)</sup>	686,731	(21.04)	218,975	(33.26)
Chengle Company <sup>(Note 3)</sup>	424,880	27.85	189,550	64.44
Chengbei Company <sup>(Note 4)</sup>	105,735	(13.50)	44,010	(18.95)
Suiguang-Suixi Company	346,926	(3.73)	(351,749)	(2.06)
Shunan Company <sup>(Note 5)</sup>	(31)	N/A	38,851	178.63
Renshou Shunan Company <sup>(Note 6)</sup>	(271)	82.74	28,361	110.46
Shunan Chengxing Company <sup>(Note 7)</sup>	10,482	210.58	29,634	(7.65)
Lushan Shuhan Company <sup>(Note 8)</sup>	106,425	10.68	6,060	(15.65)
Lushan Shunan Company <sup>(Note 9)</sup>	31,326	329.36	2,366	237.52
Shuhong Company <sup>(Note 10)</sup>	24,625	212.34	(10,768)	(561.35)
Shuxia Company <sup>(Note 11)</sup>	67,819	(36.47)	9,235	(65.21)
Chengyu Advertising Company <sup>(Note 12)</sup>	3,294	(18.59)	(2,420)	10.81
Chengyu Logistics Company	–	N/A	–	N/A
Intermodal Transportation Company <sup>(Note 13)</sup>	322,397	780.60	(37,811)	(2,665.20)
Chengyu Supply Chain Management Company <sup>(Note 14)</sup>	288	(69.23)	15,200	1,283.80
Shudao Chengyu Investment Company	–	N/A	(5,400)	(14.83)
Chengya Oil Company <sup>(Note 15)</sup>	763,106	8.19	39,077	(20.99)
Zhonglu Energy Company <sup>(Note 15)</sup>	1,105,230	1.77	31,336	(39.02)
Renshou Landmark Company	–	(100.00)	–	(100.00)
Chengyu Financial Leasing Company <sup>(Note 16)</sup>	154,162	(22.32)	41,541	103.90
Shudao New Energy Company <sup>(Note 17)</sup>	11,664	46,556.00	(5,938)	(349.71)
Chengyu Private Equity Fund Management Company <sup>(Note 18)</sup>	326	N/A	(1,917)	N/A
CSI SCE <sup>(Note 19)</sup>	–	N/A	2,679	919.27



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

*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 a decrease of RMB104,375,000 or 13.83%, RMB138,806,000 or 13.53% and RMB182,988,000 or 21.04%, respectively, in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded a decrease of RMB79,474,000 or 33.31%, RMB91,056,000 or 18.66% and RMB109,135,000 or 33.26%, respectively, in the profit for the year as compared with that of last year, which was mainly due to different impacts on various sections and obvious decline in overall traffic volume as compared with that of last year resulting from the adverse impact on production and operation for factors such as road network diversion, power supply curtailment under high temperature and decline in demand for public travel. Among them, the decrease in toll revenue and profit of Chengren Road is more obvious than other road sections due to the greater impact of diversion of the adjacent road network.

*Note 3:* Chengle Company recorded an increase of RMB92,562,000 or 27.85% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded an increase of RMB74,279,000 or 64.44% in the profit for the year as compared with that of last year, mainly due to the decrease in revenue and profit in the corresponding period of last year affected by the road expansion and closure, the completion of Meishan South – Meishan Interchange and opening to traffic on 15 December 2021 with recovery of two-way traffic for the whole line; successful completion of the expansion of Chengdu-Kunming railway frame bridge section under Chengle Expressway Expansion Construction Project on 27 January 2022 with the realisation of two-way eight-lane traffic of the section from Meishan to Leshan, resulting in corresponding increase in revenue and profit.

*Note 4:* Chengbei Company recorded a decrease of RMB16,509,000 or 13.50% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year and a decrease of RMB10,293,000 or 18.95% in the profit for the year as compared with that of last year, mainly due to that during the year, the number of northbound vehicles declined sharply affected by the economic downturn, resulting in the decrease in revenue and profit year on year.

*Note 5:* Shunan Company recorded an increase of RMB88,261,000 or 178.63% in profit for the year as compared with that of last year, mainly due to the dividend received from its subsidiaries and the income from the return on investment of the Western Airlines Port Project during the year.

*Note 6:* Renshou Shunan Company recorded an increase of RMB1,299,000 or 82.74% in the income for the year as compared with that of last year, mainly due to the decrease in the work volume of Renshou Gaotan Project and the decrease in revenue in the previous year; and recorded an increase of RMB14,885,000 or 110.46% in the profit for the year as compared with that of last year, mainly due to the recognition of return on investment of the Renshou BT Project and the increase of fund interest income.

*Note 7:* Shunan Chengxing Company recorded an increase of RMB7,107,000 or 210.58% in the income for the year as compared with that of last year, mainly due to the increase in revenue recognized during the operation period of the west extension of Jiaozi Road; and recorded a decrease of RMB2,456,000 or 7.65% in the profit for the year as compared with that of last year, mainly due to the decrease in investment return income (included in other income) for the year, despite the increase in operating income, resulting in a flat total revenue. With higher operating costs as compared to the previous year, the profit declined as compared to the previous year.

*Note 8:* Lushan Shunan Company recorded an increase of RMB10,270,000 or 10.68% in the income for the year as compared with that of last year, mainly due to the increase in sand and gravel sales revenue during the year, offsetting the decrease in construction and installation revenue; and recorded a decrease of RMB1,124,000 or 15.65% in the profit for the year as compared with that of last year, mainly due to the increase in finance expenses.

*Note 9:* Lushan Shunan Company recorded an increase of RMB24,030,000 or 329.36% in the income for the year as compared with that of last year, and recorded an increase of RMB1,665,000 or 237.52% in the profit for the year as compared with that of last year, mainly due to the corresponding increase in profit as a result of the increase in construction and installation income.

*Note 10:* Shuhong Company recorded an increase of RMB16,741,000 or 212.34% in the income for the year as compared with that of last year, mainly due to the increase in revenue from measurement of construction services, and recorded a decrease of RMB13,102,000 or 561.35% in the profit for the year as compared with that of last year, mainly due to the recognition of other revenue from the disposal of Hongrui International Plaza last year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Note 11:* Shuxia Company recorded a decrease of RMB38,929,000 or 36.47% in the income for the year as compared with that of last year, and recorded a decrease of RMB17,307,000 or 65.21% in the profit for the year as compared with that of last year, mainly due to: (1) the expansion of revenue in rapeseed oil business, which was not recognized in the current year; (2) the implementation of a six-month rent reduction policy for eligible merchants in 2022 with a reduction and exemption of rental income of RMB9,546,400 for the whole year, resulting in a decrease in rental income in the service area, in accordance with the requirements of the Supplementary Notice of the Department of Finance, the Provincial SASAC and the Provincial Administration of State-owned Enterprises on the Reduction and Exemption of Rent from Provincial Administrative Institutions and Provincial State-owned Enterprises to Small, Medium and Small Enterprises and Individual Businesses (Chuancaizi [2022] No.68) (《財政廳、省國資委、省機關事務管理局關於省級行政事業單位和省屬國有企業向中小微企業和個體工商戶減免房租的補充通知》(川財資[2022]68號)); (3) the change of Chengyu Road Supermarket from self-operated to leased in 2022 according to the Company's strategic plan, comprehensively resulting in a decrease in the supermarket's self-operated business income.
- Note 12:* Chengyu Advertising Company recorded a decrease of RMB752,000 or 18.59% in the income for the year as compared with that of last year, and recorded an increase of RMB236,000 or 10.81% in the loss for the year as compared with that of last year, mainly due to the development bottleneck of the traditional advertising business of expressways, the sluggish advertising sales market, and the impact of the demolition of some high-quality advertising assets, resulting in the decline of the advertising rental business income and the corresponding profit.
- Note 13:* Intermodal Transportation Company recorded an increase of RMB285,786,000 or 780.60% in the income for the year as compared with that of last year, mainly due to the Company's active expansion of North-to-South Grain Transportation and other projects, resulting in an increase in revenue as compared with the previous year; and recorded a decrease of RMB39,285,000 or 2,665.20% in the profit for the year as compared with that of last year, mainly due to the provision for impairment for the year.
- Note 14:* Chengyu Supply Chain Management Company recorded a decrease of RMB648,000 or 69.23% in the income for the year as compared with that of last year, mainly due to the Company's concentration of efforts to mitigate the risks of the existing business and the contraction of business scale, resulting in the decrease in revenue, and recorded an increase of RMB16,484,000 or 1,283.80% in the profit for the year as compared with that of last year, mainly due to the reversal of expected credit losses provided for in the previous year as substantial progress was made in resolving this risk in this year.
- Note 15:* Chengya Oil Company and Zhonglu Energy Company recorded an increase of RMB57,746,000 or 8.19% and RMB19,226,000 or 1.77%, respectively, in the income for the year as compared with that of last year, mainly due to the Company's positive market expansion and implementation of direct sales; and recorded a decrease of RMB10,382,000 or 20.99% and RMB20,055,000 or 39.02%, respectively, in the profit for the year as compared with that of last year, mainly due to the decrease in the number of vehicle trips and retail sales volume of refined oil affected by the economic downturn, despite the increase in revenue from direct sales business and the rising of retail prices, resulting in the decline in profit.
- Note 16:* Chengyu Financial Leasing Company recorded a decrease of RMB44,302,000 or 22.32% in the income for the year as compared with that of last year, mainly due to the fact that the Chengyu Financial Leasing Company had not been included in the scope of the Company's consolidated statements since November 2022 and only the data in January to October were included in the current year; and recorded an increase of RMB21,168,000 or 103.90% in the profit for the year as compared with that of last year, mainly due to the provision of expected credit losses in the previous year.
- Note 17:* Shudao New Energy Company recorded an increase of RMB11,639,000 or 46,556.00% in the income for the year as compared with that of last year, mainly due to the Company's recognition of charging services revenue for electric vehicles and other income in the current year; and recorded a decrease of RMB8,316,000 or 349.71% in the profit for the year as compared with that of last year, mainly due to the increase in related labor costs and public expenses as a result of the Company's operation of charging piles.
- Note 18:* Chengyu Private Equity Fund Management Company has become a 100%-owned holding subsidiary of the Company since 25 January 2022, and is consolidated into the Company.
- Note 19:* CSI SCE recorded an increase of RMB3,006,000 or 919.27% in the profit for the current period as compared with that of last year, mainly due to the disposal of the Chengyu Financial Leasing Company in November 2022 and the recognition of investment income in the subsequent period as accounted for under the equity method.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### (ii) Operation conditions of the expressways segment of the Group

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

Item	Shareholding percentage (%)	Average daily traffic flow (vehicles)			Toll income (after deduction of turnover taxes) (RMB'000)		
		2022	2021	Increase/ (decrease) (%)	2022	2021	Increase/ (decrease) (%)
Chengyu Expressway	100	16,909	19,946	(15.23)	653,626	761,051	(14.12)
Chengya Expressway	100	35,951	45,113	(20.31)	891,416	1,031,646	(13.59)
Chengren Expressway	100	27,669	37,221	(25.66)	690,102	876,419	(21.26)
Chengle Expressway	100	25,493	20,773	22.72	427,392	336,361	27.06
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	45,111	60,159	(25.01)	106,331	122,891	(13.48)
Suiguang Expressway	100	9,705	10,742	(9.65)	217,922	213,903	1.88
Suixi Expressway	100	8,297	9,503	(12.69)	132,072	149,717	(11.79)

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; the data for the same period in 2021 were treated in the same way. The average daily traffic flow of the project of Chengbei Exit Expressway (including Qinglongchang Bridge) in 2021 was different from the data reported in the previous period due to adjustment to the statistical method.
2. Due to the impact of diversion of traffic flow of road network, power supply curtailment under high temperature as well as decline in demand for public travel and other factors, the vehicle toll income for 2022 recorded a relatively significant decrease.

In 2022, the toll income (before deduction of turnover taxes) of the Group was approximately RMB3,118,861,000, representing a decrease of approximately 10.69% 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 31.78%, representing a decrease of approximately 7.47% when compared with 39.25% last year. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's business of expressways:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **(1) Economic factors**

In 2022, the central and local governments' scientific decisions and deployment resulted in the sustained development of the national economy and stabilized social environments amid high economical pressure. China's gross domestic product (GDP) for 2022 was RMB121,020.7 billion, representing a year-on-year increase of 3.0% at constant prices and the value added of transportation, warehousing and postal services decreased by 0.8%<sup>1</sup> year-on-year. Sichuan Province faced three forms of pressure including shrinking demand, supply shocks and weakening expectations, as well as a combination of unexpected factors such as high temperatures and drought, power shortages and curtailment, earthquake disasters all have which put the province's economy under pressure. Sichuan Province comprehensively implemented national decisions and deployment, and introduced a series of policies such as "30 Policies on Stabilising Growth, 7 Policies on Investment, 14 Policies on Industry, 6 Policies on Consumption and 15 Policies on Stabilising Employment", which had a hedging effect and the resilience of economic development continued to enhance. In 2022, Sichuan Province achieved a regional GDP of RMB5,674,980 million, representing an increase of 2.9%<sup>2</sup> as compared to last year at comparable prices. In the face of a more complex and challenging economic environment, the Group's toll income for the year decreased by 10.69% year-on-year.

### **(2) Policy factors**

From January to February 2022, during the New Year's Day holiday, the Spring Festival travel rush and the winter vacation, increased travel has brought traffic growth. According to the Notice on Issuance of Financial and Taxation Policies for Further Supporting the Healthy Development of Micro-, Small and Medium-sized and Individual Business (Chuan Cai Jian [2022] No. 2) (《關於印發〈進一步支持中小微企業和個體工商戶健康發展的財稅政策〉的通知》(川財建[2022]2號)) jointly issued by the Department of Finance of Sichuan Province, the Department of Transportation of Sichuan Province, Sichuan Provincial Tax Service, State Taxation Administration and other 10 provincial departments, from 18 February 2022 to 31 December 2023, the ETC toll discount for trucks in Sichuan Province increased from 5% to 6%, i.e., trucks using ETC (Electronic Toll Collection) to pass through the Sichuan Expressway Network will enjoy 6% discount on tolls, resulting in a partial decrease of toll revenue. In addition, the continued increase in fuel prices has indirectly affected the flow of highway passengers due to the increased cost of transportation, travel and materials.

<sup>1</sup> Source: Preliminary results released by the National Bureau of Statistics of China

<sup>2</sup> Source: Unified GDP results released by the Sichuan Provincial Bureau of Statistics

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In mid to late August 2022, due to the continuous high temperature in Sichuan, the Sichuan Provincial Economic and Information Department and the State Grid Sichuan Electric Power Company jointly issued the "Emergency Notice on Expanding the Implementation Scope of Power from Industrial Enterprises to the Public" (Chuan Jing Xin Dian Li [2022] No. 171) (《關於擴大工業企業讓電於民實施範圍的緊急通知》)(川經信電力[2022]171號))on August 14. According to the Notice, 19 cities (prefectures) in Sichuan Province (except Panzhihua and Liangshan) expanded the implementation scope of power from industrial enterprises to the public. All industrial power users (including key support enterprises in whitelist) in the orderly power utilization plan of Sichuan Power Grid implemented full production shutdown (excluding security loads) for a high-temperature holiday, and power to the people, starting at 00:00 on August 15 and ending at 24:00 on August 20. The production of relevant industrial power enterprises was completely stopped for 6 days. At the same time, the continuous high temperature has also led to a decrease in the willingness of the people to travel, resulting in a decline in the Group's overall traffic flow in August.

On 28 September 2022, the Ministry of Transport and the Ministry of Finance issued the Notice on Phased Reduction and Waiver of Tolls for Trucks on Toll Roads (Jiao Gonglu Mingdian [2022] No. 282) (《關於做好階段性減免收費公路貨車通行費有關工作的通知》)(交公路明電[2022]282號)), deciding to provide a phased reduction and waiver of toll fees for trucks on toll roads nationwide in the fourth quarter, i.e. from 00:00 on 1 October 2022 to 24:00 on 31 December 2022, and trucks (including vehicles for transporting large indivisible loads and excluding vehicles for special operation) would be granted a further 10% price reduction and waiver of toll fees on top of the existing various types of preferential policies on toll fees.

### **(3) Factors in road network changes and road construction**

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

**Chengyu Expressway:** On the morning of 28 January 2022, Chengyu Station C of the Chengdu Ring Expressway was put into operation, realizing the interconnection between the Chengyu Expressway and the Chengdu No.1 Ring Expressway, improving the traffic conversion capacity of the two expressways and increasing the traffic flow.

On 18 March 2022, the Chengdu Tianfu International Airport Expressway started to charge tolls. The toll rate of Class 1 vehicle was RMB0.85/car. km. Since the base price of the toll was higher than that of the Chengyu Expressway, it had a certain backwards effect on the Chengyu Expressway (Qingquan hub to Jianpu section). However, in light of the convenience to enter the first, second and third detours from the Chengdu Tianfu International Airport Expressway and direct accessibility to Tianfu New District, and that the whitelisted vehicles were still subject to toll concession policy after the Chengdu Tianfu International Airport Expressway started to charge tolls, the traffic volume of the expressway was still relatively high. Overall, the backwards effect in a short period was not significant, and the impact on the diversion of Chengyu Expressway seems to be relatively obvious.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Since 23 April 2022, the Chengdu Ring Expressway has implemented the environmental quality improvement project in five stages. Temporary traffic control was organized during the closed construction of the project, which has certain impact on some road sections of the Group.

**Chengle Expressway:** On 15 January 2022, Qingshen North Toll Station and its interchanges were officially completed and put into operation; on 27 January, the expansion of Chengdu-Kunming railway frame bridge section under Chengle Expressway Expansion Construction Project was successfully completed, and the section from Meishan to Leshan started operating with two way eight-lane traffic; On 28 January, the new Jiajiang Toll Station was officially completed and put into operation, while the old station was closed. The phased project of Chengle Expressway was gradually completed and put into operation, and the traffic flow continued to return, which contributed to the increase in toll revenue.

Upon completion of the above-mentioned projects during the closed construction, the resumption of traffic brought an increase in revenue as compared to the same period last year. However, due to the long-term closed construction and irregular closures of the station resulting in the change in driving habits of the vehicles to achieve traffic diversion, and due to the fact that the surrounding road network was mature and perfect with good road conditions, with buses arranged in Meishan, Pengshan and other places to seamlessly docking with Xinjin Metro, the vehicles to achieve traffic diversion failed to fully return, resulting in lower-than-expected revenue growth.

**Chengren Expressway:** Chengyi Expressway, which was officially opened on 31 December 2020 and is toll-free, which had certain adverse impact on Chengren Expressway in respect of toll income.

On 18 March 2022, Chengdu Tianfu International Airport Expressway started to charge tolls. The base price of the toll was higher than that of Chengren Expressway. The traffic flow from Chengdu to the third detours and the vicinity of Renshou East Station returned, promoting the traffic flow across the line to rebound. However, in light of the convenience to enter the first, second and third detours from the Chengdu Tianfu International Airport Expressway and direct accessible to Tianfu New District, and that the whitelisted vehicles were still subject to toll concession policy after the Chengdu Tianfu International Airport Expressway started to charge tolls, the traffic volume of the expressway was still relatively high, therefore, the return effect of the whole line in a short period was not as good as expected, and the impact on the diversion of Chengren Expressway was still relatively obvious.

In May 2022, TFS Tianfu International Bonded Commercial Centre, near Xinglong and Wan'an Toll Stations, commenced trial operation; and Fangyuan Hui, the first commercial complex in the Xinglong Lake business district, officially opened for business, both contributing to the increase in the traffic flow on the Chengren Expressway.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Chengya Expressway: From 21 to 25 March 2022, the left-turn ramp bridge from the south to west of Baijia Interchange (Chengya Expressway to Shuangliu Airport Expressway) was closed for construction. In order to relieve the traffic pressure from Chengya to Chengdu section, highway police adopted diversion measures for vehicles. As the entrance of Chengya Expressway near the toll station was closed several times during the above period, vehicles towards Chengdu chose land-service road to pass by, resulting in certain impact on the traffic flow.

### (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 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. According to the Reply on Adjustment to the Approval of the Chengdu to Leshan Expressway Expansion Construction Project issued by the Sichuan Provincial Development and Reform Commission (Chuan Fa Gai Ji Chu [2022] No. 298) (《關於調整成都至樂山高速公路擴容建設項目核准事項的批覆》(川發改基礎[2022]298號)), the adjusted total mileage of the project was 136.1 km and the estimated total investment was RMB25.15 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 Chengle Expansion Construction Project Pilot Section (Meishan – 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 operated in a two-way eight-lanes traffic. From the commencement date of construction to 31 December 2022, an accumulated investment of approximately RMB10.022 billion had been invested in the Chengle Expansion Project.

#### **(2) 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 Co., Ltd. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

On 4 March 2020, Sichuan Chengqiongya Expressway Company Limited 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. From the commencement date of construction to 31 December 2022, an accumulated investment of approximately RMB3,013 million had been invested in the Tianqiong Expressway 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	
	2022 RMB'000	2021 RMB'000
Revenue	9,763,056	8,830,296
Including: Net expressway segment revenue	3,102,301	3,465,849
Net new energy technology segment revenue	11,665	–
Net transportation services segment revenue	1,962,054	1,899,217
Net transportation logistics segment revenue	322,397	36,611
Net construction services segment revenue	4,210,364	2,610,855
Net others segment revenue	154,275	817,764
Profit before tax	1,088,979	2,288,196
Profit attributable to owners of the Company	764,821	1,870,856
Earnings per share attributable to owners of the Company (RMB)	0.250	0.612

#### Summary of the Group's Financial Position

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total assets	40,068,636	40,647,497
Total liabilities	21,348,017	22,199,036
Non-controlling interests	914,952	1,083,466
Equity attributable to owners of the Company	17,805,667	17,364,995
Equity per share attributable to owners of the Company (RMB)	5.823	5.678

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Analysis of Operating Results

#### Revenue

The Group's net revenue for the year amounted to RMB9,763,056,000 (2021: RMB8,830,296,000), representing a year-on-year increase of 10.56%, of which:

- (1) The net expressway segment revenue was RMB3,102,301,000 (2021: RMB3,465,849,000), representing a decrease of 10.49% as compared with the previous year. Except for Chengle Expressway and Suiguang Expressway, the toll revenue of each section in current period has been reduced by varied degrees, which was primarily attributable to the decline in vehicle travels influenced by adverse factors such as the diversion of adjacent road networks, power supply curtailment under high temperature and economic downturn, resulting in a decrease of RMB186,317,000 or 21.26% in toll revenue (before turnover taxes) of Chengren Expressway as compared with the corresponding period of last year; the toll revenue (before turnover taxes) of Chengyu Expressway decreased by RMB107,425,000 or 14.12% as compared with the corresponding period of last year; the toll revenue (before turnover taxes) of Chengya Expressway decreased by RMB140,230,000 or 13.59% as compared with the corresponding period of last year; the toll revenue (before turnover taxes) of Chengbei Exit Expressway decreased by RMB16,560,000 or 13.48% as compared with the corresponding period of last year; the toll revenue (before turnover taxes) of Suixi Expressway decreased by RMB17,645,000 or 11.79% as compared with the corresponding period of last year. 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 new energy technology segment revenue was RMB11,665,000, representing an increase of RMB11,665,000 as compared with the previous year, mainly due to the recognition of charging services revenue for electric vehicles and other income as the Company started to build up its transportation emerging industry business segment and rapidly laid out its new energy vehicle charging network during the year;
- (3) The net transportation service segment revenue was RMB1,962,054,000 (2021: RMB1,899,217,000), representing an increase of 3.31% as compared with the previous year, which was primarily attributable to the Company's active market expansion and the increase in the revenue from oil direct sales businesses, offsetting the adverse effects of the adjustment of the service area operation and the revenue decrease for the rental-free policy of leasing business;
- (4) The net transportation logistics segment revenue was RMB322,397,000 (2021: RMB36,611,000), representing an increase of 780.60% as compared with the previous year, which was primarily attributable to the increase in revenue of the Multimodal Transport Company from the North-to-South Grain Transportation Project and other businesses as compared with the previous year;

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (5) The net construction services segment revenue was RMB4,210,364,000 (2021: RMB2,610,855,000), representing an increase of 61.26% 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 RMB4,100,341,000 (2021: RMB2,500,606,000), representing an increase of 63.97% compared with the corresponding period of the previous year, which was primarily the construction contract revenue from the project for expansion construction of Chengle Expressway, Tianqiong Expressway BOT Project and the Gas Station Upgrading and Reconstruction 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 RMB110,997,000 (2021: RMB114,364,000), representing a decrease of 2.94% compared with the corresponding period of the previous year, which was mainly due to construction services revenue from Long Bao Da PPP project in Lushan County and the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County recognized under the input method;
- (6) The net others segment revenue was RMB154,275,000 (2021: RMB817,764,000), representing a decrease of 81.13% as compared with the previous year, in particular, the real estate business revenue decreased by RMB618,587,000 (2021: RMB618,587,000) or 100% as compared with the previous year, which was mainly due to the fact that it was no longer included in the scope of the Company's consolidated statements in the current period; finance leases revenue decreased by RMB44,302,000 (2021: RMB198,464,000) year on year, representing a decrease of 22.32% as compared with the previous year, which was mainly due to the fact that the Chengyu Financial Leasing Company was no longer included in the scope of the Company's consolidated statements since November of this year and only the data in January to October was included in revenue for this year; factoring revenue decreased by RMB648,000 year on year, which was mainly due to the year-on-year decrease in revenue as a result of the contraction of business scale as the Company concentrated its efforts to mitigate the existing business risks.

### **Other Income and Gains**

The Group's other income and gains for the year amounted to RMB271,250,000 (2021: RMB1,153,472,000), representing a year-on-year decrease of RMB882,222,000 or 76.48%, in particular, gains from disposal of subsidiaries of RMB10,660,000 (2021: RMB899,409,000) was mainly recognized, representing a decrease of RMB888,749,000 or 98.81% as compared with the previous year; gains from disposal of properties under development decreased by RMB26,584,000 (2021: RMB26,584,000), representing a decrease of RMB26,584,000 or 100% as compared with the previous year, mainly due to the absence of such business during the year.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### *Operating Expenses*

The Group's operating expenses for the year amounted to RMB8,551,875,000 (2021: RMB7,152,410,000), representing a year-on-year increase of 19.57%, of which:

- (1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB4,100,341,000 (2021: RMB2,500,606,000), representing a year-on-year increase of 63.97%. This mainly included construction costs recognized for Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Meishan Gas Station Upgrading and Reconstruction Project of Chengya Oil;
- (2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB98,189,000 (2021: RMB108,110,000), representing a year-on-year decrease of 9.18%, mainly attributable to the Long Bao Da PPP Project in Lushan County and the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County recognized under the input method;
- (3) Depreciation and amortization expenses increased by 6.10% from RMB957,578,000 for the last year to RMB1,015,972,000 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 oil and other business was RMB2,010,025,000 (2021: RMB1,565,316,000), representing a year-on-year increase of 28.41%, mainly attributable to the increase in cost of oil direct sales, North-to-South Grain Transportation, sand and gravel business and other sales as a result of the Company's positive market expansion;
- (5) The cost of property sales decreased by 100% as compared with RMB472,121,000 (2021: RMB472,121,000) of the previous year, mainly due to the fact that the real estate business of Renshou Trading Landmark Company Limited\* (仁壽置地有限公司) was no longer included in the scope of the Group's consolidated statements during this year;
- (6) Staff costs increased by 2.71% from RMB852,494,000 for last year to RMB875,565,000 for the year, mainly due to the cumulative impact of the increase in the average city wage and the corresponding increase in the provision ratio of five insurances and one fund;
- (7) Repair and maintenance costs decreased by 26.79% from RMB217,794,000 for the last year to RMB159,443,000, which was the decrease in daily maintenance costs of the ancillary facilities of all expressways of the Group;
- (8) The costs of finance lease were RMB80,441,000 (2021: RMB98,253,000), representing a year-on-year decrease of 18.13%, mainly attributable due to the fact that Chengyu Financial Leasing Company was no longer included in the scope of the Company's consolidated statements since November of this year, and only the data in January to October was included in cost for this year;
- (9) Impairment loss included in other receivables, trade receivable and loans to customers was RMB37,303,000 (2021: RMB55,114,000) during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (10) Charging services costs included were RMB5,038,000 for the year, mainly due to the recognition of electricity costs as a result of the deployment of new energy vehicle charging network during the year.
- (11) Foreign exchange losses for the year increased RMB9,567,000 over the last year, mainly due to the exchange losses on foreign currency borrowings.

### **Finance Costs**

The Group's finance costs for the year amounted to RMB835,612,000 (including: expensed interest expenses of RMB425,603,000), representing a decrease of 6.24% as compared with RMB891,250,000 (including: expensed interest expenses of RMB583,565,000) for the same period last year. The decrease in finance costs for the year was mainly due to the successful reduction in interest rate of the syndicated loan of Chengren Expressway, Suiguang-Suixi Expressway and Chengle Expansion Leshan Section, the decrease in the principal of the construction loan during the lifetime and the positive activation of the existing funds to improve the efficiency in the use of internal funds.

### **Income Tax**

The income tax expense of the Group for the year amounted to RMB272,104,000, representing a decrease of approximately 19.30% as compared with RMB337,180,000 for the year of 2021, mainly due to the change in profit.

### **Profit**

The Group's profit for the year amounted to RMB816,875,000, representing a decrease of 58.13% as compared with RMB1,951,016,000 for the same period last year, of which the profit attributable to owners of the Company was RMB764,821,000, representing year-on-year decrease of 59.12%. This was mainly due to:

- (1) The profit of the expressway segment for the year was approximately RMB1,018,147,000, representing a decrease of approximately RMB205,342,000 or 16.78% as compared with last year, which was mainly due to the decrease of RMB363,548,000 in toll revenue (after deduction of turnover taxes) of the expressway business for the year resulted from the combined unfavorable factors including diversion of adjacent road networks, power supply curtailment under high temperature and economic downturn as compared with the same period of the last year;
- (2) The profit of the new energy technology segment for the year was approximately RMB975,000, representing a year-on-year increase of RMB1,067,000, which was mainly due to the realization of electricity charge income from charging piles and other income;

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) The profit of the transportation services segment for the year was approximately RMB135,273,000, representing a decrease of RMB58,070,000 as compared with last year, which was mainly due to the decrease in the retail sales volume of refined oil as a result of decrease of vehicle travels compared with the same period of the previous year under the influence of economic downturn and shrinking demand, and the decrease in the operating profit of the service area as a result of the adjustment of the service area business and the rental-free policy of leasing business;
- (4) The profit of the transportation logistics segment for the year was approximately RMB20,252,000, representing an increase of RMB18,061,000 as compared with last year, which was mainly due to the increase in profit resulting from the Company's proactive efforts to mitigate the previous business risks, reversal of credit impairment losses and the proactive expansion of North-South Grain Transportation and other projects this year;
- (5) The profit of the construction services segment for the year was approximately RMB72,022,000, representing an increase of RMB8,246,000 as compared with last year, which was mainly due to the increase in interest income of BT project;
- (6) The profit of the others segment for the year was approximately RMB87,995,000, representing a decrease of RMB100,159,000 as compared with last year, which was mainly due to the fact that Renshou Trading Landmark Company Limited (仁壽置地有限公司) was no longer included in the scope of the Company's consolidated statements during this year and the Chengyu Financial Leasing Company's profit was no longer included in the scope of the Company's consolidated statements since November 2022 and only the data in January to October was included in profit for 2022.

### Analysis of Financial Position

#### **Non-current Assets**

As at 31 December 2022, the Group's non-current assets amounted to RMB35,218,523,000, representing an increase of RMB1,860,657,000 as compared with the end of 2021, mainly attributable to:

- (1) An increase of RMB3,582,715,000 in service concession arrangements as compared with the end of 2021 which included an increase of approximately RMB4,429,909,000 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 RMB847,194,000;
- (2) A decrease of RMB48,985,000 in right-of-use assets as compared with the end of 2021, mainly due to depreciation;
- (3) Property, plant and equipment increased by RMB45,955,000 as compared with the end of 2021, mainly due to the increase in acquisitions and the conversion of construction in progress into fixed assets during the year;



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (4) An increase of RMB159,430,000 in investment in associates and joint ventures as compared with the end of 2021 mainly due to (1) the decline of approximately RMB31,691,000 in the total carrying value resulting from the profit distribution of RMB17,144,000 for 2021 declared by Airport Expressway Company, and the receipt of dividends of RMB722,000, RMB1,084,000, RMB10,893,000 and RMB1,848,000 respectively from Renshou Bank, Trading International Supply Chain Management Company, Chengyu Development Fund Project and Zhongxin Company during the year; (2) the increase in carrying amount with the total investment income of RMB32,151,000 recognised this year; (3) the decrease of RMB6,360,000 in carrying amount due to the completion of the acquisition of 100% equity interests in Chengyu Private Equity Fund Management Company, and the Group held 50% equity interests in Chengyu Private Equity Fund Management Company and presented it in the investment in joint ventures before then, which was no longer presented after it was included in the scope of consolidation in the current period; (4) the increase of RMB165,330,000 in carrying amount due to the fact that Chengyu Financial Leasing Company, one of the Company's subsidiaries, had been accounted as an associate since 31 October 2022 when the Company lost the control of Chengyu Financial Leasing upon the transfer of its 44.95% equity interests, but still held 25.05% equity interests and had a significant impact on Chengyu Financial Leasing Company;
- (5) A decrease of RMB355,822,000 in equity investments designated at fair value through other comprehensive income as compared with the end of 2021, which was mainly due to the Company's derecognition of such financial asset due to the transfer of the financial asset to Sichuan Road & Bridge Co., Ltd. by way of non-public agreement during the year;
- (6) An increase of approximately RMB74,000 in restricted deposits as compared with the end of 2021, which was mainly due to the increase in ETC deposits;
- (7) A decrease of RMB1,419,757,000 in loans to customers as compared with the end of 2021, which was mainly due to the disposal of Chengyu Financial Leasing Company;
- (8) A decrease of RMB124,195,000 in payments in advance as compared with the end of 2021, which was mainly due to the decrease in advance payment for construction projects.

### **Current Assets and Current Liabilities**

As at 31 December 2022, the current assets of the Group amounted to RMB4,850,113,000 representing a decrease of 33.47% as compared with the end of 2021, mainly attributable to:

- (1) A decrease of RMB1,285,049,000 in the balance of cash and cash equivalents as compared with the end of 2021, mainly due to the decrease in toll revenue from expressways in the current year, resulting in the decrease in cash inflows from operating activities, and in order to cope with the adverse impact of the decrease in toll revenue, the Company actively carried out cost reduction and efficiency improvement, and made full use of its own funds to control the scale of external financing;
- (2) A decrease of approximately RMB1,382,359,000 in loan to customers due within one year compared with the end of 2021, mainly due to the disposal of Chengyu Financial Leasing Company;



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Trade and other receivables increased by RMB263,263,000 as compared to the end of 2021 mainly due to the increase of RMB201,172,000 in trade receivables (including bill receivables) and RMB65,160,000 in other receivables and the decrease of RMB3,069,000 in prepayments;
- (4) A decrease of approximately RMB32,993,000 in inventories as compared with the end of 2021, mainly due to a decrease in inventories of oil products for the year;
- (5) A decrease of RMB2,328,000 for restricted deposits as compared with the end of 2021, mainly due to the disposal of Chengyu Financial Leasing Company during the year.

As at 31 December 2022, the Group's current liabilities amounted to RMB3,729,995,000, representing an increase of 8.66% as compared with the end of 2021, mainly attributable to a decrease of RMB156,473,000 in trade and other payables, an increase of RMB9,136,000 in contract liabilities; an increase of approximately RMB25,945,000 in tax payable; a decrease of RMB2,548,000 in derivative financial instruments, primarily due to the disposal of Chengyu Financial Leasing Company; an increase of approximately RMB421,299,000 in bank and other interest-bearing loans, primarily due to the decrease of RMB572,862,000 in bank and other interest-bearing loans included in current liabilities resulting from the disposal of a subsidiary during the year; an increase in the reclassification of approximately RMB1,030,755,000 for bank loans, lease liabilities and other borrowings due within one year, and a decrease of RMB36,594,000 for repayment of lease liabilities and principal.

### **Non-current Liabilities**

As at 31 December 2022, the non-current liabilities of the Group amounted to RMB17,618,022,000, representing a decrease of 6.12% as compared with the end of 2021, which was principally attributable to the decrease of RMB28,508,000 in deferred income; the decrease of RMB11,720,000 in deferred tax liabilities; a decrease of approximately RMB1,108,150,000 in bank and other interest-bearing loans as compared with that of the end of last year, in particular, an increase of long-term borrowings, other loans and lease liabilities of approximately RMB3,516,350,000; the repayment of bank borrowings, other loans and interest paid amounted to approximately RMB2,153,262,000; long-term loans, other loans and lease liabilities reclassified as current liabilities amounted to approximately RMB1,030,755,000 in the current period; a decrease of approximately RMB1,455,586,000 in bank borrowings included in non-current liabilities as a result of the disposal of its subsidiary in the current period; an increase of approximately RMB15,103,000 in bank and other interest-bearing loans caused by changes in exchange rates, amortisation of lease liabilities and other combined effects in the current period.

### **Equity**

As at 31 December 2022, the Group's equity amounted to RMB18,720,619,000 representing an increase of 1.48% as compared with the end of 2021, mainly attributable to: (1) profit of RMB816,875,000 for the year, which increased the equity; (2) an increase in equity of RMB11,772,000 due to the adjustment to the fair value of financial assets as a result of presenting changes in other comprehensive income; (3) capital injection from minority shareholders amounting to RMB36,200,000, which increased the equity; (4) disposal of subsidiary of RMB191,050,000, which decreased the equity; (5) payment of dividends of RMB65,252,000 to non-controlling shareholders, which decreased the equity; (6) the final dividend of 2021 paid in the year amounting to RMB336,387,000, which decreased the equity.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### *Capital Structure*

As at 31 December 2022, the Group had total assets of RMB40,068,636,000 and total liabilities of RMB21,348,017,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 53.28% (31 December 2021: 54.61%).

### *Cash Flow*

As at 31 December 2022, the cash and cash equivalents of the Group amounted to RMB2,552,021,000, representing a decrease of approximately RMB1,285,049,000 as compared with the end of 2021. It comprised approximately HKD102,000 (equivalent to approximately RMB91,000) deposits, and RMB2,551,930,000 cash and deposits.

During the year, net cash outflows used in operating activities of the Group amounted to RMB1,911,580,000 (2021: net cash outflow of RMB2,084,685,000), representing a decrease of RMB173,105,000 in net cash outflows compared with the last year, which was mainly because: profit before tax decreased by RMB1,199,217,000 as compared with the last year; the new service concession arrangements resulted in an increase of RMB1,599,735,000 in cash outflows for the year as compared with the last year; the transfer of Renshou Landmark, a subsidiary of the Company in the previous year resulted in the decrease in related properties under development of RMB208,018,000 in cash outflows for the year as compared with the last year; the decrease in the properties held for sale resulted in a decrease of RMB459,626,000 in cash inflows for the year as compared with the last year; cash outflows from loans to customers decreased by RMB780,381,000 as compared with last year; the decrease in restricted deposits resulted in a decrease of RMB4,055,000 in cash inflows for the year as compared with the last year; the decrease in deferred income resulted in a decrease of RMB3,155,000 in cash outflow for the year as compared with last year; the decrease in contract assets resulted in a decrease of RMB11,202,000 in cash inflow for the year as compared with last year; the decrease in trade receivables and other receivables resulted in a decrease of RMB422,296,000 in net cash inflows for the year compared with the last year; the increase in non-current prepayment resulted in a decrease of RMB675,175,000 in net cash outflows for the year as compared with last year; the decrease in inventories resulted in a decrease of RMB47,073,000 in the cash outflows for the year compared with the last year; the decrease in contract liabilities resulted in a decrease of RMB603,781,000 in the net cash outflows for the year compared with the last year; the decrease in trade payables and other payables resulted in a decrease of RMB697,734,000 in cash outflows for the year compared with the last year.

Net cash inflow from investing activities of the Group amounted to RMB228,318,000 (2021: net inflow of RMB1,901,238,000), with a decrease in net cash inflow of RMB1,672,920,000 compared with the last year. It was mainly due to the increase of RMB92,981,000 in cash outflow for the purchase of property, plant and equipment as compared with last year; cash inflow amounted to RMB369,195,000 from the disposal of equity investments designated at fair value through other comprehensive income, with an increase of RMB298,619,000 compared with the previous year; cash inflow decreased by RMB1,353,449,000 resulting from the repayment of principal and interest on loans received from related parties as compared with the previous year; cash inflows from the gain on disposal of subsidiaries decreased by RMB344,491,000 as compared with the previous year; the increase of RMB28,716,000 in cash outflow from the investments in financial assets at fair value through profit or loss as compared with the last year; the increase in time deposits resulted in an increase of RMB183,799,000 in cash outflow for the year compared with the last year; the decrease in pledged deposits resulted in a decrease of RMB15,000,000 in cash inflows for the year compared with the last year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net cash inflow from financing activities was RMB214,410,000 (2021: net cash inflow of RMB840,177,000), representing a decrease in net cash inflow of RMB625,767,000 as compared with the last year, which was mainly due to a decrease of RMB2,664,440,000 in cash inflow from new bank loans, medium term notes, super short term commercial papers and other loans as compared with the last year; a decrease of RMB2,276,760,000 in cash outflow from repayment of bank loans, medium term notes, super short term commercial papers 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 RMB2,003,000 in cash outflow from dividend paid to non-controlling shareholders as compared with the last year; an increase of RMB181,539,000 in cash outflow from interest paid compared with the last year; an increase of RMB33,191,000 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 2022, the Company's bank and other interest-bearing borrowings amounted to RMB19,295,462,000, all of which bore fixed interest rates. The balance of bank loans was RMB17,871,410,000, with annual interest rates ranging from 3.15% to 4.90%; the balance of lease liabilities amounted to RMB134,052,000; 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*

	<b>Total</b> <i>RMB'000</i>	<b>Within 1 year</b> <i>RMB'000</i>	<b>Within 1 year to 5 years</b> <i>RMB'000</i>	<b>Over 5 years</b> <i>RMB'000</i>
Loans form banks	17,871,410	1,865,449	5,152,245	10,853,716
Lease liabilities	134,052	25,023	67,218	41,811
Medium-term notes	1,290,000	–	1,290,000	–
<b>Total (as at 31 December 2022)</b>	<b>19,295,462</b>	<b>1,890,472</b>	<b>6,509,463</b>	<b>10,895,527</b>
<b>Total (as at 31 December 2021)</b>	<b>19,982,313</b>	<b>1,469,173</b>	<b>6,095,538</b>	<b>12,417,602</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 RMB43,859 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 of 31 December 2022, the balance of the syndicated loan for the project amounted to RMB1,555 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 of 31 December 2022, the balance of the syndicated loan for the project amounted to RMB4,140 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 of 31 December 2022, the balance of the syndicated loan for the project amounted to RMB2,670 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 of 31 December 2022, the balance of the syndicated loan for the project amounted to RMB4,465 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 of 31 December 2022, the balance of the syndicated loan for the project amounted to RMB360 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 of 31 December 2022, the balance of the syndicated loan for the project amounted to RMB1,970 million.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### *Pledge of Assets*

As at 31 December 2022, the concession right to collect toll pertaining to Chengle Expressway with net carrying value of RMB10,566,731,000 (31 December 2021: RMB7,911,826,000) was pledged to secure the syndicated loan amounting to RMB4,825,230,000 (31 December 2021: RMB4,385,230,000); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,102,008,000 (31 December 2021: RMB6,290,814,000) was pledged to secure the syndicated loan amounting to RMB1,555,004,000 (31 December 2021: RMB1,828,353,000); the concession right to collect toll pertaining to Suiguang-Suixi Expressways with net carrying value of RMB11,099,484,000 (31 December 2021: RMB11,312,363,000) was pledged to secure the syndicated loan amounting to RMB6,810,000,000 (31 December 2021: RMB7,210,000,000); and the concession right to collect toll pertaining to Tianqiong Expressway with net carrying value of RMB3,012,674,000 (31 December 2021: RMB1,319,033,000) was pledged to secure the bank loans amounting to RMB1,970,226,000 (31 December 2021: RMB667,000,000) by the Group.

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2022.

### 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 2023, we have formulated the following work plan with a focus on the basic development ideas of "14th Five-Year" Plan and business objectives for the year of 2023:

#### 1. Gathering momentum and attracting strength to empower the two main business sectors.

Revolving around the "14th Five-Year" Plan and practicing the "Double Carbon" Goal, we focus on developing two main responsibilities and business sectors of the Group, namely expressway and green energy.

First, strengthening the core competitiveness of the main business of expressways. The Company adheres to core idea of "focusing on main business and optimising main business", and take "resource integration, asset operation and technology's empowerment" as effective means to consolidate the supporting position of the core main business of the expressway; highlights innovation-driven, increases scientific and technological innovation efforts in projects such as "intelligent construction, intelligent expressway, and digital twinning", and focuses on building intelligent expressway to help traditional industries innovate. Based on the external market, the Company boldly forges ahead, actively explores channels for scale expansion, seeks high-quality and mature road products, and strives to promote the scale of expressway assets. Following the development trend of green transportation, the Company participates in new technology pilot projects, new facilities and equipment research and development applications to promote green and low-carbon industries. The Company intensifies its capital operation, actively boosts its market value performance and promotes the value of its core business.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Second, striving to cultivate the new energy sector. The Company promotes the construction of charging stations in the road network service area and expands the new energy charging business network based on the expressways already in operation. The Company actively introduces strategic investors from leading enterprises and promotes battery leasing industry fund in an orderly manner to speed up the construction of Chengdu-Chongqing "Electricity Corridor" and promote the new business layout of "battery bank + battery replacement". The Company focuses on building a smart energy management platform for charging and switching to facilitate efficient management of new energy business. The Company explores cooperation models with leading enterprises, promotes the completion of hydrogen refueling stations to a high standard, and pushes forward the substantive implementation of the Chengdu-Chongqing "Hydrogen Corridor".

### **2. Improving quality and efficiency to promote innovative and efficient operation.**

Following the development ideas and directions of the 14th Five-Year Plan, the Company improves the management level and cultivates high-quality operational dynamics. The company seeks breakthroughs and innovations, and strives to implement market-oriented operation mechanism, build project follow-up platform, and enhance market-oriented operation level. The Company improves corporate governance, enhances the level of research and decision-making capability of the main body at all levels, and improves the quality of research and decision-making efficiency. The Company promotes precise authorization and delegation of powers to enhance the independent performance of its affiliated enterprises. The Company deepens the construction of working style and strengthens the work coordination, departmental collaboration and system integration to promote the efficient operation of the Company.

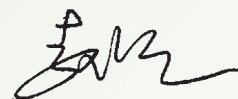
### **3. Control the cost and saving the resource to grasp the whole process cost management.**

Around the goal of improving efficiency and reducing consumption, the Company focuses on cost reduction and efficiency improvement in all areas and processes to tackle the cost battle. The Company strengthens financial management, implements comprehensive budgeting, and strictly controls costs and expenses to improve economic efficiency. The Company promotes market-oriented reform, establishes a mechanism linking business costs and management expenses to employee benefits, and firmly establishes employees' awareness of cost-cutting. The Company coordinates the control of maintenance inputs, operating expenses, financial expenses, and labor costs, casting the fundamental cornerstone of a high-productivity, high-revenue enterprise.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 4. Risk prevention and control of the area to strengthen the security capacity building.

The Company focuses on the prevention of major risks in the whole area and implements the prevention of operation and investment risks, safety and environmental protection to ensure the steady development of the enterprise. The Company promotes the construction of compliance system of internal control, implements compliance review mechanism for major decisions and realizes closed-loop management of internal control. The Company improves its recurring audit system to achieve full coverage of audit supervision. The Company focuses on the safety production management, promotes the management of safety production responsibility list system, promotes science and technology in the production safety management information to improve the level of emergency management.



**Li Wenhui**

*Vice Chairman and General Manager*

Chengdu, Sichuan Province, the PRC  
30 March 2023

# CORPORATE GOVERNANCE REPORT

## I. CORPORATE GOVERNANCE

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.

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 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, Mr. Guo Renrong, the Company's Financial Controller, acted as the Secretary to the Board and the Company failed to meet the requirements of (i) the company secretary under Rule 3.28 and 3.29 of the Listing Rules of the Stock Exchange; and (ii) Rule 3.05 of the Listing Rules of the Stock Exchange in relation to the authorised representatives. On 14 June 2022, the Company held the twenty-third meeting of the seventh session of the Board, appointed Mr. Yao Jiancheng as the the Secretary to the Board of the Company, and appointed Mr. Yao Jiancheng and Mr. Huang Weichao as the joint company secretaries of the Company and the authorised representatives of the Company under Rule 3.05 of the Listing Rules of the Stock Exchange. Since then, Mr. Guo Renrong, the Financial Controller of the Company, has ceased to act as the Secretary to the Board of the Company and has complied with the above-mentioned regulations regarding the appointment of company secretaries and authorized representatives.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (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 20 May 2022, as approved at the general meeting of the Company, the Company revised and improved the Articles of Association. On 14 June 2022, as approved by the Board of the Company, the Company formulated the Interim Measures for the Assessment and Appraisal of Members of Sichuan Chengyu Leadership Team, the Interim Measures for the Management of Remuneration of Members of Sichuan Chengyu Leadership Team, the Detailed Implementation Rules for the Assessment and Appraisal of Members of Sichuan Chengyu Leadership Team (Trial) and the Detailed Implementation Rules for Management of Remuneration of Members of Sichuan Chengyu Leadership Team. On 25 August 2022, as approved by the Board of the Company, the Company formulated the Administrative Measures for Financing, the Administrative System for Corporate Bond Information Disclosure, the Interim Measures for Internal Control Management, the Internal Control Manual. On 27 October 2022, as approved by the Board of the Company, the Company revised and improved Sichuan Chengyu Administrative System for Information Disclosure and Sichuan Chengyu Investor Relations Work System. On 12 December 2022, as approved by the Board of the Company, the Company formulated the Administrative Measures of Sichuan Expressway Company Limited for Internal Audit, revised the Implementation Rules for the Audit Committee under the Board of Directors of Sichuan Expressway Company Limited, formulated the Implementation Plan for the Construction of Administrative System for Compliance and Internal Control and the Interim Measures of Sichuan Expressway Company Limited for Compliance Management.

### (II) The purpose, strategy and culture of the Company

The Board has formulated the Group's mission, values, and strategies that are consistent with the Group's culture. The Group adhered to the new development concept and integrates into the new development pattern, focusing on the Chengdu-Chongqing Economic Circle strategy and the "dual carbon" policy requirements. The Group is committed to consolidating the traditional core business of investing, constructing, operating, and managing highways and expanding the economic development along the route. At the same time, the Group is cultivating and developing a green energy supplementary business centered around "charging, battery bank, ten-swapping, and hydrogen energy". The Group has been adhering to its the five core development strategies of resource integration, asset operation, investment and acquisition, market value management upgrades, and technology empowerment; this is to continuously promoting industrial transformation and upgrades, achieving leap-forward development, high-quality development, and sustainable development, enhancing the comprehensive strength of the enterprise, and committed to becoming a "first-class comprehensive service provider in transportation industry in China". The Group operated with integrity and leads by example. The Board promoted the expected culture, instilled and strengthened the values of acting in a lawful, ethical, and responsible manner throughout the Group. Firstly, the Group has been building an enterprise culture system, refining enterprise cultural concepts, strengthening the combination of cultural systems, and establishing an enterprise cultural construction evaluation mechanism. Secondly, the Group has been implementing an enterprise brand strategy, continuously expanding its own brand influence, and strengthening the internal promotion and implementation of enterprise culture. Thirdly, the Group adhered to the concept of "one road, one culture, one station, one feature" ideology to create a distinct road culture.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

It is the responsibility of the Board of the Company to establish, perfect, and effectively implement risk management and internal control system, to assess and determine the risk nature and degree it would accept when the Group's strategic objectives are achieved. The Board is responsible for continuously supervising the Company's risk management and internal control system, including overseeing the management to design, implement and monitor the risk management and internal control system, and the annual review of the effectiveness of important monitoring procedures concerning finance, operation, compliance, environment, society and governance ("ESG") 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (IV) 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 2022, the Company solidly advanced internal control to ensure that the overall operation of the Company's internal control system was good. The Company formulated the "Interim Measures for Internal Control Management" and "Internal Control Manual" in accordance with the "Basic Standards for Corporate Internal Control", "Supporting Guidelines for Corporate Internal Control" and the "Articles of Association", which were reviewed and approved at the twenty-sixth meeting of the seventh session of the Board of the Company. The Company formulated the "Implementation Plan for Construction of Compliance and Internal Control Management System of Sichuan Expressway Company Limited" and the "Interim Measures of Sichuan Expressway Company Limited for Compliance Management" in accordance with the requirements of relevant documents such as the "Compliance Management Measures for Central Enterprise", "Sichuan Provincial Enterprise Compliance Management Guidelines (Trial)" and other relevant documents, which were considered and approved at the second meeting of the eighth session of the Board of the Company. 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 of 31 December 2022, 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.

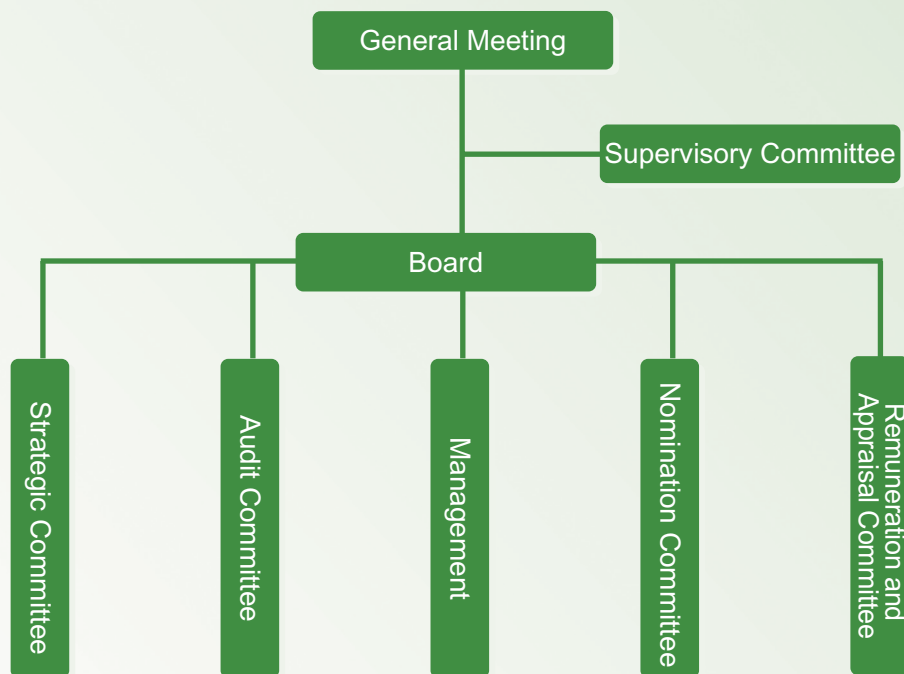
In the future, the Company will continue to press ahead with the implementation of its risk management and internal control system, and optimize the risk management and internal control system based on its existing system, and practically establish and implement a corporate risk management and internal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



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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.

# CORPORATE GOVERNANCE REPORT (CONTINUED)

## **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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### *(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 the 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 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2022, the Company convened six 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 2022	6 January 2022	1. Resolution in relation to the Signing of the Construction Project Connected Transaction Framework Agreement between the Company and Shudao Investment.	The resolution was duly considered and passed
2	The 2nd extraordinary general meeting in 2022	20 May 2022	1. Resolution in relation to the amendments to the Articles of Association <sup>(Note)</sup>	The resolution was duly considered and passed
<p><i>Note:</i> For details of the amendments to the Articles of Association, please refer to the circular of the Company dated 28 April 2022 and the Constitutional Documents of the Company dated 20 May 2022.</p>				

## CORPORATE GOVERNANCE REPORT (CONTINUED)

No.	Meeting	Date of Meeting	Name of Resolutions	Resolutions
3	2021 annual general meeting	25 May 2022	<ol style="list-style-type: none"> <li>1. Resolution in relation to the registration and issuance of debt financing instruments for non-financial enterprises and the relevant matters</li> <li>2. Resolution in relation to profit distribution and dividend distribution plan of the Company for the year 2021</li> <li>3. Resolution in relation to the work report of the Board for the year 2021</li> <li>4. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2021</li> <li>5. Resolution in relation to the duty performance report of independent Directors for the year 2021</li> <li>6. Resolution in relation to the financial budget report for the year 2021</li> <li>7. Resolution in relation to the 2021 domestic and overseas annual reports and their summaries</li> <li>8. Resolution in relation to the financial budget for the year of 2022</li> <li>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 2022</li> </ol>	All the resolutions were duly considered and passed



## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2022
			11.	Resolution in relation to the liability insurance for Directors, Supervisors and Senior Management of the Company
4	The 3rd extraordinary general meeting in 2022	9 June 2022	1.	Resolution on the transfer of 5% equity interest in Communications Construction Company by way of cash payment by the Company
				The resolution was duly considered and passed

## CORPORATE GOVERNANCE REPORT (CONTINUED)

No.	Meeting	Date of Meeting	Name of Resolutions	Resolutions
5	The 4th extraordinary general meeting in 2022	30 August 2022	<ol style="list-style-type: none"> <li>1. Resolution in relation to the transfer of 44.95% equity interest in Chengyu Leasing</li> <li>2. Resolution in relation to the directors' remuneration of Madam Xue Min</li> <li>3. Resolution in relation to the directors' remuneration of Mr. Chen Chaoxiong</li> <li>4. Resolution in relation to the directors' remuneration of Mr. Zhang Qinghua</li> <li>5. Resolution in relation to the election of executive Directors</li> <li>6. Resolution in relation to the election of non-executive Directors</li> <li>7. Resolution in relation to the election of independent Directors</li> </ol>	All the resolutions were duly considered and passed
6	The 5th extraordinary general meeting in 2022	18 November 2022	<ol style="list-style-type: none"> <li>1. Resolution in relation to the directors' remuneration of Mr. Gan Yongyi</li> <li>2. Resolution in relation to the directors' remuneration of Mr. Li Wenhui</li> <li>3. Resolution in relation to the directors' remuneration of Madam Ma Yonghan</li> <li>4. Resolution in relation to the directors' remuneration of Mr. You Zhiming</li> <li>5. Resolution in relation to the directors' remuneration of Madam Xue Min</li> <li>6. Resolution in relation to the directors' remuneration of Mr. Wu Xinhua</li> <li>7. Resolution in relation to the directors' remuneration of Mr. Li Chengyong</li> <li>8. Resolution in relation to the directors' remuneration of Mr. Chen Chaoxiong</li> </ol>	All the resolutions were duly considered and passed

## CORPORATE GOVERNANCE REPORT (CONTINUED)

No.	Meeting	Date of Meeting	Name of Resolutions	Resolutions
9.			Resolution in relation to the directors' remuneration of Mr. Yu Haizong	
10.			Resolution in relation to the directors' remuneration of Mr. Yan Qixiang	
11.			Resolution in relation to the directors' remuneration of Madam Bu Danlu	
12.			Resolution in relation to the directors' remuneration of Mr. Zhang Qinghua	
13.			Resolution in relation to the supervisors' remuneration of Mr. Luo Maoquan	
14.			Resolution in relation to the supervisors' remuneration of Mr. Ling Xiyun	
15.			Resolution in relation to the supervisors' remuneration of Mr. Wang Yao	
16.			Resolution in relation to the supervisors' remuneration of Madam Gao Ying	
17.			Resolution in relation to the remuneration of employee representative supervisors	
18.			Resolution in relation to the election of executive Directors of the eighth session of the Board	
19.			Resolution in relation to the election of independent Directors of the eighth session of the Board	
20.			Resolution in relation to the election of Supervisors of the eighth session of the Supervisory Committee	



## CORPORATE GOVERNANCE REPORT (CONTINUED)

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. Yao Jiancheng, the Secretary to the Board, are as follows:

Tel:	(86) 28-8552 7504
Fax:	(86) 28-8553 0753
E-mail:	db@cygs.com
Contact address:	No. 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 2. *Composition*

As of 31 December 2022, the Board currently has 12 Directors<sup>(Note)</sup>. It was the eighth session of the Board since the establishment of the Company. The term of office of the Directors shall be three (3) years commencing from 18 November 2022 or from the date on which the Directors were elected or until the end of the eighth session of office of the Board. As of 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 eighth 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 underground engineering, bridge 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.

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 3. *Meetings of the Board*

During the Year, the Board of the Company convened a total of 12 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 or Shareholders representing more than one tenth of voting rights have rights to propose the convening of an extraordinary Board meeting in accordance with the Rules of Procedures of the Board of the Directors of the Company.

The management of the Company is responsible for providing 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. There are no relationships (including financial, business; family or other material/ relevant relationships) among the Directors.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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 2022, the participation of Directors in continuing professional development activities is as follows:

Name of Director	Type of Activity	
	Reading materials in respect of traffic and transportation, anti-bribery, corporate governance, capital operation and financial accounting	Participation in centralized trainings and attendance in forums, seminars and meetings on regulatory work
Gan Yongyi	✓	✓
Li Wenhui	✓	✓
Wu Xinhua <sup>(Note1)</sup>	✓	✓
Ma Yonghan	✓	✓
You Zhiming	✓	✓
Xue Min <sup>(Note2)</sup>	✓	✓
Li Chengyong	✓	✓
Chen Chaoxiong <sup>(Note2)</sup>	✓	✓
Yu Haizong	✓	✓
Yan Qixiang	✓	✓
Bu Danlu	✓	✓
Zhang Qinghua <sup>(Note3)</sup>	✓	✓
Liu Changsong (Resigned) <sup>(Note1)</sup>	✓	✓
He Zhuqing (Resigned) <sup>(Note3)</sup>	✓	✓
Liu Lina (Resigned) <sup>(Note3)</sup>	✓	✓

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Notes:

- On 18 November 2022, as considered and approved at the 2022 fifth extraordinary general meeting of the Company, Mr. Wu Xinhua was elected as a non-executive Director of the eighth session of the Board of Directors and a non-executive Director of the seventh session of the Board of the Directors namely Mr. Liu Changsong ceased to be a non-executive Director of the Company upon the completion of the re-election of the Board. The remaining Directors were re-elected and re-appointed.
- On 30 August 2022, as considered and approved at the 2022 fourth extraordinary general meeting of the Company, Madam Xue Min was elected as an executive Director of the seventh session of the Board of Directors, and Mr. Chen Chaoxiong was elected as a non-executive Director of the seventh session of the Board of Directors.
- On 25 July 2022, Madam Liu Lina tendered her resignation from the positions as an independent non-executive Director of the Company in accordance with the Rules for the Articles of Association regarding the term of office of independent non-executive Directors. As stipulated in the Articles of Association, the resignation of an independent non-executive Director shall become effective upon filling of vacancy by a succeeding independent Director. On 30 August 2022, as considered and approved at the 2022 fourth extraordinary general meeting of the Company, Mr. Zhang Qinghua was elected as an independent non-executive Director of the seventh session of the Board of Directors. The resignation of Madam Liu Lina also became effective on the same day. On 9 August 2022, Mr. He Zhuqing, a Director of the Company, tendered his written application for resignation of the executive Director of the Company due to adjustment of his career commitments.

### 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 2022, the attendance of the Board meetings and general meetings by the Directors is as follows:

Name of Director	Required attendance in Board meetings during the Year	Attendance of Board Meetings			Attendance of General Meetings	
		Attendance in person	Attendance via communications	Attendance by proxy	Attendance in person/required attendance	Number of attendance/meetings
Gan Yongyi	12	12	0	0	12/12	6/6
Li Wenhua	12	12	0	0	12/12	6/6
Ma Yonghan	12	12	0	0	12/12	6/6
You Zhiming	12	12	0	0	12/12	6/6
Xue Min	4	4	4	0	4/4	1/1
Wu Xinhua	2	2	2	0	2/2	0/0
Li Chengyong	12	12	0	0	12/12	6/6
Chen Chaoxiong	4	4	0	0	4/4	1/1
Yu Haizong	12	12	0	0	12/12	6/6
Yan Qixiang	12	12	0	0	12/12	6/6
Bu Danlu	12	12	0	0	12/12	6/6
Zhang Qinghua	4	4	0	0	4/4	1/1
Liu Changsong (Resigned)	10	10	10	0	10/10	5/6
He Zhuqing (Resigned)	6	6	6	0	6/6	4/4
Liu Lina (Resigned)	8	8	0	0	8/8	4/5

## CORPORATE GOVERNANCE REPORT (CONTINUED)

Number of Board meetings held during the Year	12
Of which: Number of physical meetings	1
Number of meetings held via communications	0
Number of meetings held by way of combination of both	11

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 2022, 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. The Board, through reviewing the implementation of the above mechanisms, believes that they can effectively ensure that the Board obtains independent views and opinions.

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 2022 is set out in note 8 to the financial statements of this annual report.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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. During the Year, 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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 Wenhui 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 formulate 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, four 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Year, the composition and duty performance of the members of the special committees of the seventh session of the Board of the Directors of the Company during the period from 1 January 2022 to 18 November 2022 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			*	0/0	✓	3/3	✓	4/4
Yu Haizong	Independent non-executive Director			✓	0/0	*	3/3		
Yan Qixiang	Independent non-executive Director	✓	5/5			✓	3/3		
Bu Danlu	Independent non-executive Director	*	5/5					✓	4/4
Zhang Qinghua <sup>(Note)</sup>	Independent non-executive Director	✓	1/1	✓	0/0			*	1/1
Liu Lina <sup>(Note)</sup>	Independent non-executive Director	✓	4/4	✓	0/0			*	3/3

*Note:* On 25 July 2022, Madam Liu Lina tendered her resignation from the positions as an independent non-executive Director of the Company in accordance with the Rules for the Articles of Association regarding the term of office of independent non-executive Directors. As stipulated in the Articles of Association, the resignation of an independent non-executive Director shall become effective upon filling of vacancy by a succeeding independent non-executive Director. On 30 August 2022, as considered and approved at the 2022 fourth extraordinary general meeting of the Company, Mr. Zhang Qinghua was elected as an independent non-executive Director of the seventh session of the Board of Directors for a term commencing from the date on which his appointment was approved at the extraordinary general meeting and ending on the expiry date of the seventh session of the Board of Directors, and as considered and approved at the 27th meeting of the seventh session of the Board of Directors held thereafter, Mr. Zhang Qinghua was appointed as a member of the Audit Committee, the Strategic Committee and the chairman of the Remuneration and Appraisal Committee. The resignation of Madam Liu Lina also became effective on the same day.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Year, the composition and duty performance of the members of the special committees of the eighth session of the Board of the Directors of the Company during the period from 18 November 2022 to 31 December 2022 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	✓	1/1		
Chen Chaoxiong	Non-executive Director							✓	1/1
Yu Haizong	Independent non-executive Director			✓	1/1	*	1/1		
Yan Qixiang	Independent non-executive Director	✓	1/1			✓	1/1		
Bu Danlu	Independent non-executive Director	*	1/1					✓	1/1
Zhang Qinghua	Independent non-executive Director	✓	1/1	✓	1/1			*	1/1

### 1. Audit Committee

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

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



## CORPORATE GOVERNANCE REPORT (CONTINUED)

The committee hereby presents its work report during 2022 as follows:

### **Written Report of the Audit Committee**

The Audit Committee convened 6 meetings in 2022 and 2 meetings from 1 January 2023 to the date of this report. Meetings of the Audit Committee were presided over by the chairman of the Audit Committee. All members of the committee attended the meetings in person. The external auditors and Supervisors, Secretary to the Board and Financial Controller of the Company were also invited to attend the meetings except for the fourteenth meeting of the Audit Committee under the seventh session of the Board of Directors, 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:

## CORPORATE GOVERNANCE REPORT (CONTINUED)

- (1) Reviewing the 2021 annual financial statements and unaudited financial statements for the first half year of 2022 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2022 (according to the PRC GAAP), and making approval suggestions to the Board.
- (2) Before the annual audit of 2022, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2022 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 2023 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 2023 second meeting to consider the 2022 annual audit report of the Company and considered that the Group's 2022 annual financial statements can truly and correctly reflect the operation results of the Group for the year 2022, and the financial position as of 31 December 2022. It recommended the Board to make approval.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

The Audit Committee is responsible for assisting the Board in reviewing the adequacy and 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 2021 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 2022 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2022 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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2022, 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

In the past three years (2020 to 2022), Shinewing was subject to no criminal punishment, 1 administrative punishment, 11 regulatory measures, 1 self-regulatory measure and no disciplinary decisions for its business practice, 30 practitioners were subject to 4 administrative punishment, 23 regulatory measures, 5 self-regulatory measure and no disciplinary decisions for its business practice.

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 (2020 to 2022), no project partner, signing certified public accountant, or project quality control reviewer has been subject to criminal penalties, and administrative penalties or supervisory measures imposed by the SFC and its agencies or industry authorities, or self-regulatory measures or disciplinary actions imposed by securities exchanges, industry associations, or other self-regulatory organizations.

The Audit Committee considered that Shinewing appointed by the Company as the PRC auditor of the Company for the year 2022 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 2023.

- (2) The Audit Committee considered that Ernst & Young Certified Public Accountants appointed by the Company as the international auditor for the year 2022 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 2023.

**Bu Danlu, Zhang Qinghua, Yan Qixiang**  
*Members of the Audit Committee*

30 March 2023

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### **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 outline of the Company's the "14th Five-Year" development plan. During the "14th Five-Year" period, the Company will maintain its leading position in the expressway investment, construction and operation industry and accelerate the cultivation and expansion of the green energy industry to achieve the strategic goal of optimizing the layout and leapfrogging development. According to the scheme for preparation of the "14th Five-Year" plan (draft), the Company has completed the outline of the Company's the "14th Five-Year" development plan through four stages of "initiation, investigation, preparation and improvement". The plan further clarifies the positioning, vision and strategic goal of the Company during the "14th Five-Year" period, as well as the development ideas and strategic guarantee measures to achieve the goal. The Strategy Committee unanimously agreed that the "14th Five-Year" development plan was made based on the actual situation of the Company and agreed to the submitted the outline of the Company's the "14th Five-Year" development plan.

### **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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 re-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.

The Company currently has three female directors and the Board will endeavour to maintain enough female representation on the Board. In addition, the proportion of male and female employees among all existing employees (including senior management) of the Group is 50.7% and 49.3%, respectively, with 75% and 25% of senior management being male and female respectively. Therefore, the Board considers that the Group's employees, including senior management, to be sufficiently gender-diverse.

#### **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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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, the re-election of Directors to the Board, the appointment of senior management 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 2022.

### III. SUPERVISORY MECHANISM

#### (I) Supervisory Committee

As at 31 December 2022, the Supervisory Committee of the Company comprises 6 Supervisors, and is the eighth session of the Supervisory Committee since establishment of the Company. The term of office of Supervisors commenced from 18 November 2022 or the date of election of the Supervisors. Composition of the Supervisory Committee of the Company is set out in Section VIII "Profile of Directors, Supervisors, Senior Management and Employees" of this annual report.

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

The size and composition of the Supervisory Committee are in compliance with the requirements of the laws and regulations. During the Year, the Supervisory Committee convened 9 meetings in total. All Supervisors attended each committee meeting, all of whom supervised, on behalf of the Shareholders, the Company's financial affairs as well as the legality and compliance of the duties performed by Directors and senior management. 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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (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 adequacy and effectiveness of the Company's risk management and internal control system during the Year.

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 (including ESG risks) 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 (including ESG risks) and has no significant monitoring errors or significant monitoring weak spots.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (III) Auditors

The financial statements included in the 2022 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:

Items <sup>(Note)</sup>	2022		2021	
	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 (RMB'000)	1,300	2,060	1,300	2,010
Audit fee of internal control (RMB'000)	300	–	300	–

*Note:* Other than the above fees, no other fees were paid by the Company during the Year.

The Company appoints its auditors at general meetings and the auditors appointed by the Company shall hold office until conclusion of the next annual general meeting. To dismiss any auditor during its term of office shall be subject to the consideration and approval at general meetings. Currently, the Audit Committee has discussed and assessed the professional qualification of Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants (Special General Partnership) and the annual audit for 2022 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 2023 respectively were approved by the Board and will be presented at the 2022 AGM for consideration and approval.

### (IV) Company Secretary

The Secretary of the Company has been Mr. Zhang Yongnian since 1 January 2022 and he resigned on 22 March 2022 due to personal work adjustment. On 14 June 2022, the Company appointed Mr. Yao Jiancheng and Mr. Wong Wai Chiu as joint company secretaries.

Mr. Yao Jiancheng is also the secretary of the Board of Directors of the Company and is the principal contact person for Mr. Huang Weichao regarding Company's corporate secretarial matters. Mr. Wong Wai Chiu is a joint Director of SWCS Corporate Services Group (Hong Kong) Limited.

During the Reporting Period, Mr. Yao Jiancheng and Mr. Huang Weichao have received more than 15 hours of relevant professional training respectively.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### (V) 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 136 announcements concerning A Shares and 118 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.hkexnews.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.

The Board was satisfied with its implementation and effectiveness after conducting an annual review during the Reporting Period.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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 2022.

## PRINCIPAL ACTIVITIES

The Group principally engages in the investment, construction, operation and management of expressway infrastructure projects and the expansion of traditional core businesses of derivative economy along the expressway; the Group also fosters and develops its second main business of green energy with a focus on “charging, battery bank + power replacement and hydrogen energy”. 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 2022 are as follows:

<b>Toll items</b>	<b>Origin/destination</b>	<b>Approximate length</b>	<b>Date of commencement of official operations of the toll expressway</b>
Chengyu Expressway	Chengdu/Shangjiapo	226 km	7 October 1997
Chengya Expressway	Chengdu/Duiyan	144.1 km	1 January 2000
Chengren Expressway	Jiangjia/Zhichanggou	106.613 km	18 September 2012
Chengle Expressway	Qinglongchang/Guliba	86.4 km	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10.35 km	21 December 1998
Suixi Expressway	Jixiang Town/Taiping Town, Xichong County	67.644 km	9 October 2016
Suiguang Expressway	Jinqiao interchange/Hongtudi interchange intersecting Miansui Expressway	102.941 km	9 October 2016

## 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 of the Hong Kong Companies Ordinance includes major risks and uncertainties faced by the Group, major events that produced significant influences on the Group after the close of the Reporting Period, 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”.

## REPORT OF THE DIRECTORS (CONTINUED)

### 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 business capacity.

## REPORT OF THE DIRECTORS (CONTINUED)

### *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, 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 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 consolidate the supporting position of its core business of expressway to promote the continuous growth of asset scale and business with the starting point of "resource integration, asset operation and technology empowerment". 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 to actively study and make an attempt on the industries and businesses related to toll roads and core business of the Company.

## **2. Market risks and the corresponding measures**

### **(1) Market risks**

#### *a. Risks relevant to macroeconomic fluctuation*

Road traffic and turnover are highly correlated with 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 also 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 arise in international and domestic economic operations 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.

## REPORT OF THE DIRECTORS (CONTINUED)

### *b. Risks relevant to road network changes*

To accelerate the construction of a 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; the Company will 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, improve the quality of road network services and increase inspection efforts to ensure accuracy of operation and development strategic decisions of the Company.



## REPORT OF THE DIRECTORS (CONTINUED)

### 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 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 Company may not accurately apply the tax law in business practices. 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 increased number of investment projects, the investment scale maintaining at 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 to explore the construction of 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 involve a large number of previously unfamiliar regulatory policies, laws and regulations, and we may bear relevant risks if we lack expertise in such areas.

#### (2) Corresponding measures

In view of the potential tax risks, the Company has adopted more effective tax risk prevention measures. Firstly, the Company has strengthened its learning about tax laws, regulations and policies, actively seeking 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.

## REPORT OF THE DIRECTORS (CONTINUED)

### 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 seriously damaged and cannot work normally for a period of time. In case of fog, severe snow and ice, the expressway will be partially or even completely closed for a short period of time. Serious traffic accidents 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 operation of expressway companies.

##### b. Investment risks of expressway projects

The expressway industry features large investments and long payback periods. 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 its 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 results of our project investment may not meet our projections.

#### (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 sustainable 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 and refinement level of the Group's management while strengthening the implementation efficiency and innovation ability, so as to enhance the comprehensive management ability.

## REPORT OF THE DIRECTORS (CONTINUED)

### 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.

## REPORT OF THE DIRECTORS (CONTINUED)

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 will be published together with the Company’s annual report. For details about the environmental policy and performances, please refer to the “2022 Environmental, Social and Governance Report”, and please contact the Company if a print version is required.

### CHARITABLE DONATION

During the Reporting Period, the Group had no funds and materials for charity and social benefit.



## REPORT OF THE DIRECTORS (CONTINUED)

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the financial conditions of the Company and the Group at that date are set out in the audited financial statements on pages 121 to 130 herein.

Pursuant to the Articles of Association, 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 2022 of RMB0.10 per share of ordinary shares (tax inclusive), aggregating to approximately RMB305,806,000 and representing 47.96% of the distributable profit of the Company determined under PRC GAAP for the year and 40.12% of the profit attributable to owners of the Company as shown in the consolidated financial statements.

The proposed dividend distribution is subject to the approval of the Shareholders at the Company's forthcoming 2022 AGM. If approved, the final dividend is expected to be paid on or around Friday, 14 July 2023 to the Shareholders whose names appear on the H Shares register of members of the Company on Wednesday, 14 June 2023 (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 2022 AGM and to receive the proposed 2022 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.

## REPORT OF THE DIRECTORS (CONTINUED)

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

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

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

### **DISTRIBUTION OF DIVIDENDS TO INVESTORS UNDER SOUTHBOUND TRADING LINK**

According to relevant requirements in the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(Cai Shui [2014] No. 81) and the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(Cai Shui [2016] No. 127) and, 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 has been entered into between the Company and China Securities Depository and Clearing Corporation Limited regarding the dividend distribution arrangements to the H Share investors of the Company through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, 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.

## REPORT OF THE DIRECTORS (CONTINUED)

### 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				
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>RESULTS</b>					
Profit before tax	<b>1,088,979</b>	2,288,196	991,607	1,463,539	1,205,912
Income tax expense	<b>(272,104)</b>	(337,180)	(257,710)	(330,250)	(304,086)
<b>PROFIT FOR THE YEAR</b>	<b>816,875</b>	1,951,016	733,897	1,133,289	901,826
Other comprehensive income/(loss), net of tax	<b>11,772</b>	203,171	(76,590)	6,552	(12,635)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>828,647</b>	2,154,187	657,307	1,139,841	889,191
<b>Profit attributable to:</b>					
Owners of the Company	<b>764,821</b>	1,870,856	674,809	1,086,131	849,638
Non-controlling interests	<b>52,054</b>	80,160	59,088	47,158	52,188
	<b>816,875</b>	1,951,016	733,897	1,133,289	901,826
<b>Comprehensive income attributable to:</b>					
Owners of the Company	<b>777,059</b>	2,074,891	596,805	1,092,098	837,030
Non-controlling interests	<b>51,588</b>	79,296	60,502	47,743	52,161
	<b>828,647</b>	2,154,187	657,307	1,139,841	889,191

## REPORT OF THE DIRECTORS (CONTINUED)

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
TOTAL ASSETS	40,068,636	40,647,497	40,404,381	37,860,574	36,035,058
TOTAL LIABILITIES	(21,348,017)	(22,199,036)	(23,870,700)	(21,706,606)	(21,150,659)
NON-CONTROLLING INTERESTS	(914,952)	(1,083,466)	(998,647)	(876,070)	(392,793)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	17,805,667	17,364,995	15,535,034	15,277,898	14,491,606

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

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

### PRE-EMPTIVE RIGHTS

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

### REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

### RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.



## REPORT OF THE DIRECTORS (CONTINUED)

### DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB6,500,419,000. The Company's distributable reserves as at 31 December 2022 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 annual purchase (%)
1	Road and Bridge International Co., Ltd.	1,173,378	18
2	PetroChina Company Limited Sichuan Sales Chengdu Branch, Ziyang Branch, etc.	985,902	15
3	Sichuan Transportation Construction Engineering Co., Ltd.	937,337	14
4	Sichuan Road and Bridge East China Construction Co., Ltd. (四川路橋華東建設有限責任公司)	379,249	6
5	Sinopec Sales Company Limited (中國石化銷售股份有限公司)	299,017	5
<b>Total</b>		<b>3,774,883</b>	<b>58</b>

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.

## REPORT OF THE DIRECTORS (CONTINUED)

During the Year and as of the date of this report, the Directors and Supervisors of the Company were:

### Executive Directors:

Mr. Gan Yongyi (*Chairman*)  
Mr. Li Wenhui (*Vice Chairman, General Manager*)  
Madam Ma Yonghan  
Mr. You Zhiming  
Mr. He Zhuqing <sup>(1)</sup>  
Madam Xue Min <sup>(2)</sup>

### Non-executive Directors:

Mr. Liu Changsong <sup>(3)</sup>  
Mr. Wu Xinhua (*Vice Chairman*) <sup>(4)</sup>  
Mr. Li Chengyong  
Mr. Chen Chaoxiong <sup>(5)</sup>

### Independent Non-executive Directors:

Mr. Yu Haizong  
Mr. Yan Qixiang  
Madam Bu Danlu  
Madam Liu Lina <sup>(6,7)</sup>  
Mr. Zhang Qinghua <sup>(7)</sup>

### Supervisors:

Mr. Luo Maoquan  
Mr. Ling Xiyun  
Mr. Wang Yao  
Madam Gao Ying  
Madam Li Tao  
Madam Lu Xiaoyan

### Notes:

- (1) Mr. He Zhuqing resigned as an executive Director of the Company on 9 August 2022.
- (2) Madam Xue Min served as an executive Director of the Company since 30 August 2022.
- (3) Mr. Liu Changsong ceased to serve as a non-executive Director of the Company after the election of the Board on 18 November 2022.
- (4) Mr. Wu Xinhua served as a non-executive Director of the Company since 18 November 2022.
- (5) Mr. Chen Chaoxiong served as a non-executive Director of the Company since 30 August 2022.
- (6) Madam Liu Lina resigned as an independent non-executive Director of the Company on 25 July 2022. The resignation of Madam Liu Lina took effect on 30 August 2022 upon the approval of the Company's shareholders' meeting and the election of new independent non-executive Director to fill the vacancy.
- (7) Mr. Zhang Qinghua served as an independent non-executive Director of the Company since 30 August 2022, and the resignation of Madam Liu Lina took effect on the same day.

## REPORT OF THE DIRECTORS (CONTINUED)

All the members of the Board and Supervisory Committee of the Company were appointed for a term of three years from the date of 18 November 2022 until expiry of the eighth 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.

## REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 December 2022, 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 Nonexecutive 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.



## REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31 December 2022, 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
Shudao Investment	A Shares	Long position	1,035,915,462	33.87%	47.90%	Beneficial owner
	H Shares	Long position	121,950,200	3.99%	13.62%	Beneficial owner
		Total:	1,157,865,662	37.86%	–	Beneficial owner
China Merchants Expressway Company	A Shares	Long position	664,487,376	21.73%	30.72%	Beneficial owner
	H Shares	Long position	96,458,000 <sup>(Note)</sup>	3.15%	10.77%	Interest in controlled corporation
		Total:	760,945,376	24.88%	–	

*Note:* Cornerstone Holding Limited, a wholly-owned subsidiary of China Merchants Expressway Company, was interested in the H shares of the Company. By virtue of the SFO, China Merchants Expressway Company is therefore deemed to be interested in such Shares held by Cornerstone Holding Limited.

Save as disclosed above, as at 31 December 2022, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

## REPORT OF THE DIRECTORS (CONTINUED)

### 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. On 23 December 2021, the Company renewed the service agreement with Zhineng Company for a term of 3 years from 1 January 2022 to 31 December 2024, with a service charge of 0.4% of toll income or RMB35,000,000 per annum, whichever is lower. On 14 October 2022, the Company entered into the Road Network Operation Guarantee Services Agreement with Zhineng Company for a term of 3 years from 1 November 2022 to 31 October 2025, with a service charge of 0.4% of toll income or RMB35,000,000, whichever is lower. Zhineng Company will be responsible for managing the floating service fee and vehicle toll settlement time of the Group's expressways based on the safety and service quality assessment scores (assessed by the government). From 1 November 2022, the Previous Services Agreement entered into between the Company and Zhineng Company on 23 December 2021 will be terminated concurrently. The service fee the Group paid to Zhineng Company during the Year totalled approximately RMB12,629,000 (2021: RMB14,175,000).
- (b) On 27 December 2018, the Company and PetroChina Company Limited Sichuan Sales Branch ("PetroChina Sichuan Sales Branch") entered into the Refined Oil Agreement, pursuant to which 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 2021, 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 2022 to 31 December 2022, with the annual cap being RMB1,500,000,000. On 12 December 2022, 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 2023 to 31 December 2023, with the annual cap being RMB1,500,000,000. Purchase amount recognised during the Year approximated to RMB985,902,000 (2021: RMB946,978,000), which was below the cap amount of RMB1,500,000,000. 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.

## REPORT OF THE DIRECTORS (CONTINUED)

- (c) On 8 December 2022, the Company entered into the Property Management Services Framework Agreement with Sichuan Shudao Urban & Rural Investment Group Co., Ltd. ("Shudao Urban & Rural"), pursuant to which Shudao Urban & Rural agreed to provide property management services to the Company from 1 January 2022 to 31 December 2024, with the annual caps for the three financial years ending 31 December 2022, 2023 and 2024 of RMB20,000,000, RMB40,000,000 and RMB60,000,000, respectively. The total service fee recognised for the year amounted to RMB11,547,000. Shudao Urban & Rural is a wholly-owned subsidiary of Shudao Investment, the controlling shareholder of the Company holding approximately 37.863% of issued shares.
- (d) On 19 November 2020, the Company and Shudao Investment entered into the continuing connected transaction – Construction Framework Agreement. As the previous construction framework agreement entered into between the Company and Shudao Investment expired on 31 December 2021, the Company and Shudao Investment entered into a construction framework agreement on 16 November 2021, pursuant to which, Shudao Investment and its subsidiaries (other than the Group) contracted certain construction services from the Group for the period from 1 January 2022 to 31 December 2022. 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 RMB1,325,508,000 (2021: RMB1,441,828,000), which was below the annual cap amount of RMB3,843,000,000.

As the construction framework agreement entered into between the Company and Shudao Investment on 16 November 2021 expired on 31 December 2022, the Company and Shudao Investment entered into a construction framework agreement on 18 November 2022, pursuant to which, Shudao Investment and its subsidiaries (other than the Group) shall contract certain construction services from the Group for the period from 1 January 2023 to 31 December 2023.

## 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.

## REPORT OF THE DIRECTORS (CONTINUED)

### SUFFICIENCY OF PUBLIC FLOAT

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

### EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 17 February 2023 and 30 March 2023, in relation to the Company's intention to acquire 100% equity interest of Sichuan Rongcheng Second Ring Expressway Development Co., Ltd. ("Rongcheng Second Ring") by cash, of which 81% equity interest is acquired from Shudao Expressway and 19% is acquired from SRB Group, with the Equity Transfer Agreement signed on 17 February 2023. The consideration for the 100% equity interest of Rongcheng Second Ring collectively held by Shudao Expressway and SRB Group amounts to RMB5,903 million. Upon completion of the transaction, Rongcheng Second Ring will become a wholly-owned subsidiary of the Company and will be consolidated into the Company's consolidated financial statements. The said transaction has been considered and approved at the third meeting of the eight session of the Board and the second extraordinary general meeting of 2023.

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.

In March 2023, the Company passed the British Standards Institute (BSI) audit and was awarded GB/T 35770-2022/ISO 37301:2021 compliance management system certification.

### AUDITORS

For the year ended 31 December 2022, Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young acted as domestic and international auditors of the Company respectively. 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 2022 AGM. Auditors' remuneration is set out in Note 7 to the financial statements.



## REPORT OF THE DIRECTORS (CONTINUED)

### CLOSURES OF REGISTER OF MEMBERS OF H SHARES

For the purposes of determining the Shareholders' entitlement to attend the 2022 AGM and to receive the 2022 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 2022 AGM

Deadline for lodging transfer documents	4:30 p.m. on 17 May 2023 (Wednesday)
Closure period of the H Shares register of members	From 18 May 2023 (Thursday) to 25 May 2023 (Thursday) (both days inclusive)
Record date	25 May 2023 (Thursday)
Date of the 2022 AGM	25 May 2023 (Thursday)

#### (b) In respect of the entitlement to 2022 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 7 June 2023 (Wednesday)
Closure period of the H Shares register of members	From 8 June 2023 (Thursday) to 14 June 2023 (Wednesday) (both days inclusive)
Dividend Entitlement Date	14 June 2023 (Wednesday)

In order to be entitled to attend and vote at the 2022 AGM, and to receive the 2022 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 2022 final dividend to the holders of A Shares and eligibility of the holders of A Shares for attending the 2022 AGM.

ON BEHALF OF THE BOARD



**Gan Yongyi**  
Chairman

Chengdu, Sichuan Province, the PRC  
30 March 2023

# PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Gender	Age <sup>(1)</sup>	Length of services with the Company	Position during the Reporting Period	Total remuneration (RMB'000) (before tax)
Gan Yongyi	Male	59	From March 2001 to present	Chairman, Executive Director	80.3
Li Wenhui	Male	45	From November 2019 to present	Vice Chairman, Executive Director and General Manager	80.3
Wu Xinhua	Male	55	From November 2022 to present	Vice Chairman, Non-executive Director <sup>(2)</sup>	0
Ma Yonghan	Female	43	From June 2020 to present	Executive Director	64.23
You Zhiming	Male	50	From November 2019 to present	Executive Director, Deputy General Manager <sup>(3)</sup>	64.73
Xue Min	Female	43	From August 2022 to present	Executive Director <sup>(4)</sup>	20.34
Li Chengyong	Male	42	From November 2019 to present	Non-executive Director	0
Chen Chaoxiong	Male	57	From August 2022 to present	Non-executive Director <sup>(5)</sup>	0
Yu Haizong	Male	58	From May 2021 to present	Independent Non-executive Director	8
Yan Qixiang	Male	51	From November 2019 to present	Independent Non-executive Director	8
Bu Danlu	Female	44	From November 2019 to present	Independent Non-executive Director	8
Zhang Qinghua	Male	47	From August 2022 to present	Independent Non-executive Director <sup>(6)</sup>	2.67
Luo Maoquan	Male	57	From December 2006 to present	Chairman of Supervisory Committee	72.27
Ling Xiyun	Male	58	From November 2019 to present	Supervisor	0
Wang Yao	Male	50	From November 2019 to present	Supervisor	0
Gao Ying	Female	34	From June 2020 to present	Supervisor	0
Li Tao	Female	51	From November 1997 to present	Supervisor	64.23

### Notes:

- (1) Calculated based on age as at 31 December 2022.
- (2) Mr. Wu Xinhua has served as a non-executive Director of the Company since 18 November 2022.
- (3) On 28 July 2022, Mr. You Zhiming resigned as the deputy general manager while still being an executive Director of the Company.
- (4) Ms. Xue Min has served as an executive Director of the Company since 30 August 2022.
- (5) Mr. Chen Chaoxiong has served as a non-executive Director of the Company since 30 August 2022.
- (6) Mr. Zhang Qinghua has served as the Independent Non-executive Director of the Company since 30 August 2022.

## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Name	Gender	Age <sup>(1)</sup>	Length of services with the Company	Position during the Reporting Period	Total remuneration (RMB'000) (before tax)
Lu Xiaoyan	Female	50	From January 1998 to present	Supervisor	49.23
Guo Renrong	Male	50	From October 2017 to present	Financial Controller <sup>(7)</sup>	64.73
Heibilayi	Male	37	From September 2019 to present	Deputy General Manager	64.23
Peng Chi	Male	53	From June 2020 to present	Deputy General Manager	64.73
Liu Dong	Male	50	From July 2020 to present	Chief Engineer	64.23
Yao Jiancheng	Male	43	From June 2022 to present	Secretary to the Board <sup>(7)</sup>	37.47
Chen Yangbo	Male	44	From March 2022 to present	Secretary of Discipline Inspection Commission <sup>(8)</sup>	51.72
Liu Changsong (resigned)	Male	45	From December 2021 to November 2022	Vice Chairman, Non-executive Director <sup>(9)</sup>	0
He Zhuqing (resigned)	Male	46	From December 2013 to August 2022	Executive Director <sup>(10)</sup>	40.67
Liu Lina (resigned)	Female	65	From July 2016 to November 2022	Independent Non-executive Director <sup>(11)</sup>	5.33
Zhang Yongnian (resigned)	Male	60	From August 1997 to March 2022	Secretary to the Board <sup>(7)</sup>	16.18
Liu Junjie (resigned)	Male	58	From February 2009 to May 2022	Deputy General Manager <sup>(12)</sup>	25.42

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

### Notes:

- (7) 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 listing in Hong Kong 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. On 14 June 2022, the Board of the Company appointed Mr. Yao Jiancheng as the Secretary to the Board, and appointed Mr. Yao Jiancheng and Mr. Wong Wai Chiu as the joint company secretaries and authorized representatives of the Company for matters related to the listing in Hong Kong.
- (8) Mr. Chen Yangbo has served as the Secretary of Discipline Inspection Commission of the Company since 8 March 2022.
- (9) Mr. Liu Changsong ceased to serve as a non-executive Director of the Company on 18 November 2022 upon completion of the election of the Board of the Company.

## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

- (10) Mr. He Zhuqing resigned as an executive Director of the Company on 9 August 2022.
- (11) Madam Liu Lina resigned as an independent Director of the Company on 25 July 2022 and her resignation took effect on 30 August 2022 upon supplementary election of new independent non-executive Director considered and approved by the fourth extraordinary general meeting of the Company in 2022.
- (12) On 24 May 2022, Mr. Liu Junjie resigned as the Deputy General Manager of the Company due to personal work arrangement.

## II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 8 March 2022, Mr. Chen Yangbo served as the secretary of the discipline inspection committee of the Company.

On 22 March 2022, Mr. Zhang Yongnian, the Secretary to the Board (Company Secretary) and the authorized representative of the Company for matters relating to the listing in Hong Kong, tendered his resignation due to personal work arrangement. On 30 March 2022, the Company convened the twenty-first 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. From 31 March 2022 to 27 July 2022, Mr. Zhang Yongnian served as a Class I senior manager of the Company.

On 24 May 2022, Mr. Liu Junjie resigned as the Deputy General Manager of the Company due to personal work arrangement. He has served as a Class I senior manager of the Company since 24 May 2022.

On 14 June 2022, the Board of the Company appointed Mr. Yao Jiancheng as the Secretary to the Board, and appointed Mr. Yao Jiancheng and Mr. Wong Wai Chiu as the joint company secretaries of the Company and authorized representatives of the Company for matters relating to the listing in Hong Kong. The appointments came into effect from the date approved the appointments at the twenty-third meeting of the seventh session of the Board until the expiry of the seventh session of the Board of the Company. They may be re-elected at the expiry of such term of office.

On 25 July 2022, Madam Liu Lina tendered her resignation from the positions as an independent non-executive Director of the seventh session of the Board in accordance with the Rules for Independent Directors of Listed Companies issued by the CSRC and the Articles of Association of the Company regarding the term of office of independent Directors. The resignation will take effect upon supplementary election of new independent non-executive Director at the general meeting of the Company. During this period, Madam Liu Lina will continue to perform her duties as an independent Director and in the relevant special committees under the Board.

On 28 July 2022, Mr. You Zhiming resigned as the deputy general manager while still being an executive Director of the Company.

On 9 August 2022, Mr. He Zhuqing resigned as an executive Director of the seventh session of the Board of the Company due to adjustment of his career commitments.



## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

On 30 August 2022, upon the consideration and approval of the fourth extraordinary general meeting of the Company in 2022, Madam Xue Min was elected as an executive Director, Mr. Chen Chaoxiong was elected as a non-executive Director and Mr. Zhang Qinghua was elected as an independent Director of the seventh session of the Board of the Company. The appointments would become effective from the date of consideration and approval at the extraordinary general meeting until the expiry of the term of office of the seventh session of the Board of the Company, and the resignation of Madam Liu Lina took effect on the same date.

On 17 November 2022, Madam Li Tao and Madam Lu Xiaoyan were elected as the employee representative Supervisors of the eighth session of the Supervisory Committee of the Company upon consideration and approval by the labour union member representatives and the employee representatives' meeting, and the term of office of the employee representative Supervisors shall be same as that of the shareholders representative Supervisors who are elected at the fifth extraordinary general meeting in 2022, i.e. for a period of three years commencing from 18 November 2022.

On 18 November 2022, upon consideration and approval of the fifth extraordinary general meeting of the Company in 2022, Mr. Gan Yongyi, Mr. Li Wenhui, Madam Ma Yonghan, Mr. You Zhiming and Madam Xue Min were appointed as executive Directors of the Company, Mr. Wu Xinhua, Mr. Li Chengyong and Mr. Chen Chaoxiong were appointed as non-executive Directors of the Company, Mr. Yu Haizong, Mr. Yan Qixiang, Madam Bu Danlu, and Mr. Zhang Qinghua were appointed as independent non-executive Directors of the Company, and Mr. Luo Maoquan, Mr. Ling Xiyun, Mr. Wang Yao and Madam Gao Ying were appointed as Supervisors of the Company.

At the fifth extraordinary general meeting of the Company in 2022 convened on 18 November 2022, Mr. Liu Changsong, the deputy Chairman and non-executive Director of the Company, retired as a non-executive Director of the Company upon expiry of his term of office.

On 18 November 2022, upon consideration and approval of the first meeting of the eighth session of the Board of the Company, Mr. Gan Yongyi was elected as the Chairman of the eighth session of the Board of the Company, Mr. Li Wenhui and Mr. Wu Xinhua were elected as the deputy Chairmen of the eighth session of the Board of the Company, Mr. Li Wenhui was appointed as the General Manager of the Company, Mr. Heibilayi and Mr. Peng Chi were appointed as the Deputy General Managers of the Company, Mr. Guo Renrong was appointed as the Chief Financial Officer of the Company, Mr. Yao Jiancheng was appointed as the Secretary to the Board, the Joint Company Secretary and the authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Mr. Wong Wai Chiu was appointed as the Joint Company Secretary and the authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and Mr. Liu Dong was appointed as the chief engineer of the Company.

# PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

**Mr. Gan Yongyi**, aged 59, 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 eighth session of the Board of the Company.

**Mr. Li Wenhui**, aged 45, 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, the chairman and legal representative of Shudao (Sichuan) Innovation Investment Development Co., Ltd. (蜀道(四川)創新投資發展有限公司) (formerly known as "Sichuan Transportation Investment Innovation Development Co., Ltd.\* (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 a director of Shanghai Hangzhou Passenger Dedicated Line Co., Ltd. \* (滬杭鐵路客運專線股份有限公司). He is currently the executive Director, Vice Chairman of the eighth session of the Board and general manager of the Company.

## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

**Mr. Wu Xinhua**, aged 55, graduated from Renmin University of China with a bachelor's degree in national economic management. He successively served as the chairman of Huaqi Investment Co., Ltd., vice chairman of Shanxi Transportation Development Group Co., Ltd.\* (山西交通事業發展集團有限公司), vice chairman of Fujian Expressway Development Co., Ltd., director and general manager of China Merchants Traffic Information Technology Co., Ltd., director of China Merchants New Intelligence Technology Company Limited, director of Tibet China Merchants Construction Electronic Information Co., Ltd., chairman and general manager of Guogao Cyberspace Information Technology Co., Ltd., chairman of China National Radio Media Limited Liability Company, deputy general manager of China Merchants Huajian Highway Investment Co., Ltd., chief operating officer of China Merchants Asia-Pacific Co., Ltd., general manager of the Investment Banking Department of China Merchants Securities Co., Ltd. of Shanghai, general manager of the Investment Banking Department of Tiantong Securities Company Limited\* (天同證券有限責任公司), general manager of the Business Department of Shangdong Securities Co. Ltd., deputy general manager of Shenzhen Management Headquarters of CITIC Securities Company Limited, and assistant manager of the Securities Department of Shekou Industrial Zone Southern Glass Holding Co., Ltd.. He is currently the deputy general manager and a member of the Party Committee of China Merchants Expressway Network & Technology Holdings Co., Limited, chairman of China Merchants State Grid Green Energy Technology Company Limited, chairman of the board of supervisors of Xingyun Shuju (Beijing) Technology Co., Ltd., a director of Hunan Quanlutong Network Technology Co., Ltd., a director of Jiangsu Expressway Company Limited, a director of Sanming Shao San Expressway Co., Ltd., a director of China Merchants Hainan Development Investment Co., Ltd. and a non-executive Director and vice Chairman of the eighth session of the Board of the Company.

**Madam Ma Yonghan**, aged 43, 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, the vice chairwoman of the labour union under the mass organization department of STIG and the executive Director of the seventh session of the Board. She currently serves as an executive Director of the eighth session of the Board of the Company.



## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

**Mr. You Zhiming**, aged 50, 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, the deputy general manager of the Company. He currently serves as the chairman, legal representative of Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司) and an executive Director of the eighth session of the Board of the Company.

**Madam Xue Min**, aged 43, holds a master's degree. She successively served as a senior expert in government affairs of Alibaba Group, the deputy general manager of Mainland China Development of MTR Corporation Limited, and the deputy general manager of the Strategic Development Department of China Merchants Expressway Network Technology Holdings Co., Ltd. She currently serves as the secretary to the Party branch of Tibet China Merchants Construction Electronic Information Co., Ltd.\* (西藏招商交建電子信息有限公司), a director of Beijing Sutong Technology Co., Ltd.\* (北京速通科技有限公司) and an executive Director of the eighth session of the Board of the Company.

**Mr. Li Chengyong**, aged 42, 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 served 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 chief of Finance Management Department (Fund Management Centre) of STIG and the deputy director of Financial Management Department (Fund Management Centre) of Shudao Group. He currently acts as the director of the Fund Management Centre of Shudao Group, a director of Shudao (Sichuan) Innovation Investment Development Co., Ltd. (蜀道(四川)創新投資發展有限公司) (formerly known as "Sichuan Transportation Investment Innovation Development Co., Ltd.\* (四川交投創新投資發展有限公司)") and Sichuan Chuanrui Development & Investment Co., Ltd.\* (四川省川瑞發展投資有限公司), and a non-executive Director of the eighth session of the Board of the Company.



## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

**Mr. Chen Chaoxiong**, aged 57, obtained a bachelor's degree and a senior accountant. He served as the head of the finance section of Guangyuan Transportation Bureau, a director and the chief financial officer of Sichuan Jiaotou New Energy Co., Ltd.\* (四川交投新能源有限公司), the chief financial officer and chairman of the labor union of Sichuan Jiaotou Transport Media Co., Ltd.\* (四川交投運務傳媒有限公司), chairman of the board of directors (legal representative) of Sichuan Jiaotou Commerce and Trade Co., Ltd.\* (四川交投商貿有限公司), the assistant to the general manager of Sichuan Trading Industry Company Limited\* (四川交投實業有限公司), the assistant to the general manager of Shudao Transport Services Group Co., Ltd.\* (蜀道交通服務集團有限責任公司) and concurrently the chairman of the board of directors of Sichuan Shujiao Commerce and Trade Co., Ltd.\* (四川蜀交商貿有限公司). He is currently a Class II director of Shudao Investment Group Co., Ltd. (蜀道投資集團有限責任公司), an external director of Sichuan Shudao Intelligent Transportation Co., Ltd. (四川蜀道智慧交通有限公司) and a non-executive Director of the eighth session of the Board of the Company.

**Mr. Yu Haizong**, aged 58, 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 eighth session of the Board of Director of the Company.

**Mr. Yan Qixiang**, aged 51, 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 eighth session of the Board of the Company.

**Madam Bu Danlu**, aged 44, 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, an associated professor of Southwestern University of Finance and Economics and an independent director of North Chemical Industries Co., Ltd. (北方化學工業股份有限公司) (formerly known as "Sichuan Nitrocell Co., Ltd. (四川北方硝化棉股份有限公司)"). 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 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 eighth session of the Board of the Company.

## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

**Mr. Zhang Qinghua**, aged 47, graduated from Southwest Jiaotong University with a doctorate degree in bridge and tunnel engineering and is a professor of bridge engineering. He was an assistant engineer and project chief engineer of China Railway No. 4 Engineering Group Co., Ltd.\* (中鐵四局集團有限公司), a lecturer, associate professor and professor of Southwest Jiaotong University. He is currently a professor of civil engineering, the deputy director of the bridge engineering department of Southwest Jiaotong University, and an independent non-executive Director of the eighth session of the Board of the Company.

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

**Mr. Luo Maoquan**, aged 57, 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 eighth session of the Supervisory Committee of the Company.

**Mr. Ling Xiyun**, aged 58, 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\* (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\* (四川成南高速公路有限責任公司) (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, the deputy head (in charge) and head of Asset Audit Department, the head of Audit and Legal Department and the office director of Internal Control & Audit Committee, the chief of Finance Management Department (Fund Management Centre), the office director of Finance and Financing Committee, deputy chief accountant, staff representative Supervisor, and director of the finance sharing centre of STIG Group. He is currently the deputy chief accountant of Shudao Group and a Supervisor of the eighth session of the Supervisory Committee of the Company.

## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

**Mr. Wang Yao**, aged 50, 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 eighth session of the Supervisory Committee of the Company.

**Madam Gao Ying**, aged 34, 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), and a Supervisor of the seventh session of the Supervisory Committee of the Company. 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 Shangsang Expressway Co., Ltd. (浙江上三高速公路有限公司) and a Supervisor of the eighth session of the Supervisory Committee of the Company.

**Madam Li Tao**, aged 51, 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 eighth session of the Supervisory Committee and Chairman of the labour union of the Company.

**Madam Lu Xiaoyan**, aged 50, graduated from Chongqing Jiaotong College (now renamed as Chongqing Jiaotong University), majoring in highway and urban road engineering. She is a senior engineer and registered consulting engineer (investment). 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, the head of the Investment and Development (Research Centre) of the Company and a director of Sichuan Zhonglu Energy Company Limited. She currently serves as a staff Supervisor of the eighth session of the Supervisory Committee of the Company, and a supervisor of Shudao Chengyu Investment Company Limited (formerly known as "Chengdu Shuhai Investment Management Company Limited").



## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

### (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 Wenhui, please refer to the biographies of Directors.

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

**Mr. Yao Jiancheng**, aged 43, holds a Master's degree in economics of Southwestern University of Finance and Economics. He once served as the manager of Operation & Investment Department of Sichuan Trading Industrial Co., Ltd. (四川交投實業有限公司), general manager of Sichuan Transportation Investment Shujiang Investment Company (四川交投蜀江投資公司), secretary of general party branch of Sichuan Jiaotou New Energy Co., Ltd. (四川交投新能源有限公司), deputy head of Capital Operation Department and deputy head of Investment Development Department of Sichuan Transportation Investment Group Corporation Limited (四川省交通投資集團有限責任公司), a director and vice general manager of Sichuan Transportation Investment Innovation Development Co., Ltd. (四川交投創新投資發展有限公司), deputy head of Investment Development Department and deputy head of Capital Operation Department of Shudao Investment Group Co., Ltd. (蜀道投資集團有限責任公司). He currently serves as a member of the Party Committee and the Secretary to the Board of the Company.

**Mr. Guo Renrong**, aged 50, holds a Master's degree in engineering in software engineering of Beijing Institute of Technology and is a senior accountant. He was the deputy director of Financial Department of Northern Sichuan Expressway Co., Ltd.; the 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 Shenyingwanguo Transportation Investment Industrial & Financial Investment 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, the director of Chengyu Financial Leasing Company and the director of Xincheng Hong Kong Company. He is currently the Chairman of the third session of the Supervisory Committee and the Financial Controller and director of the committee of the Sichuan Listed Company Association, and the Financial Controller of the Company.



## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

**Mr. Heibilayi**, aged 37, 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, assistant to the president, acting 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 53, 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 50, 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, chief engineer and director of the engineering division of Reconstruction Headquarters of Langmushi Temple to Chuanzhushi Temple Highway of National Highway 213, 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 44, successively graduated from the Southwest University of Political Science & Law, the Party School of Sichuan Provincial Committee of the Chinese Communist Party, a graduate student in law, and a senior policy officer. He has served as the chairman and legal representative of Sichuan Zitong Expressway Co., Ltd., the secretary to the Party Committee, chairman and legal representative of Sichuan Zitong Expressway Co., Ltd., and the chairman and legal representative of Sichuan Lezitong Expressway Co., Ltd. He currently serves as a member of the Party Committee and the Secretary of Discipline Inspection Commission of the Company.

## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

**Mr. Liu Changsong**, aged 45, 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., and a director and general manager of China Merchants Expressway Network & Technology Holdings Co., Limited. He is also the chairman of Guizhou Jinhua 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.. On 18 November 2022, he resigned as the non-executive Director and deputy Chairman of the seventh session of the Board of the Company. He currently serves as the director of the Industrial Development Department and the Business Coordination Department of China Merchants Group Limited.

**Mr. He Zhuqing**, aged 46, 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), 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. On 9 August 2022, he resigned as the executive Director of the seventh session of the Board of the Company. He currently serves as the chairman and legal representative of Langfang Jiaofa Expressway Development Co., Ltd. (廊坊交發高速公路發展有限公司), and the chairman and legal representative of Langfang Jingtai Expressway Co., Ltd. (廊坊京台高速公路有限公司).

## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

**Madam Liu Lina**, aged 65, 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. On 30 August 2022, she resigned as the independent non-executive Director of the seventh session of the Board of the Company.

**Mr. Liu Junjie**, aged 58, 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), director of Transportation Construction Company and a director, the chairman and legal representative of Multimodal United Transportation Company. On 24 May 2022, he was removed from office as a member of the Party Committee and Deputy General Manager of the Company. He has served as a Class I senior manager of the Company since May 2022.

**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 Chengdu Airport Expressway Company Limited. On 22 March 2022, he resigned as a member of the Party Committee and the Secretary to the Board of the Company. From March 2022 to July 2022, he served as a Class I senior manager of the Company.

# PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

## IV. EMPLOYEES

As at 31 December 2022, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,325
Number of in-service employees of major subsidiaries	1,825
Total number of in-service employees	4,150
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	2,842
Sales	19
Technical	586
Financial	133
Administrative	570
Total	4,150

### Educational Level

Type of Education Level	Number of people
Postgraduate	219
University graduate	1,509
Junior college graduate	1,640
Technical secondary school and below	782
Total	4,150



## PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

### **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 2022, the employees' salary of the Group totalled approximately RMB564,723,000, of which approximately RMB303,487,000 was 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 21,575 attendances of the Company's employees (including its branches) was recorded for the above training courses.

# REPORT OF THE SUPERVISORY COMMITTEE

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

## I. WORK OF THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee held 9 meetings in total. The notices, convening, holding and resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles of Association. Details of the meetings are as follows:

Meeting of the Supervisory Committee	Meeting Date	Topics
The 16th meeting of the seventh session of the Supervisory Committee	27 January 2022	1. Resolution in relation to the termination of acquisition of overseas assets by the Company and the Parties to the Consortium
The 17th meeting of the seventh session of the Supervisory Committee	3 March 2022	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
		2. Resolution on the Transfer of 5% Equity Interest in Communications Construction Company by way of Cash Payment by the Company

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

Meeting of the Supervisory Committee	Meeting Date	Topics
The 18th meeting of the seventh session of the Supervisory Committee	30 March 2022	1. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2021
		2. Resolution in relation to the Scheme of Profit Distribution and Dividend Payment for 2021
		3. Resolution in relation to the 2021 annual financial budget implementation report
		4. Resolution in relation to the 2021 domestic and overseas annual reports and their summaries
		5. Resolution in relation to the 2021 Internal Control Evaluation Report
		6. Resolution in relation to the 2021 Internal Control Audit Report
		7. Resolution in relation to the 2021 Environmental, Social and Governance Report
		8. Resolution in relation to the 2022 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 2022
		10. Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the overseas auditor of the Company for the year 2022
		11. Resolution in relation to change of accounting policy
The 19th meeting of the seventh session of the Supervisory Committee	28 April 2022	1. Resolution in relation to the 2022 First Quarter Report
		2. Resolution in relation to the amendments to the Articles of Association

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

Meeting of the Supervisory Committee	Meeting Date	Topics
The 20th meeting of the seventh session of the Supervisory Committee	30 June 2022	1. Resolution in relation to the review on the transfer of 44.95% equity interest in Chengyu Leasing
The 21st meeting of the seventh session of the Supervisory Committee	25 August 2022	1. Resolution in relation to the review on the unaudited financial report for the six months ended 30 June 2022 and 2022 interim report and its summary 2. Resolution in relation to not distributing any interim dividend and not transferring capital reserve into share capital in 2022
The 22nd meeting of the seventh session of the Supervisory Committee	27 October 2022	1. Resolution in relation to the 2022 Third Quarterly Report 2. Resolution in relation to the nomination of candidates for Supervisors and proposed remuneration for Supervisors of the eighth session of the Supervisory Committee of the Company
The 1st meeting of the eighth session of the Supervisory Committee	18 November 2022	1. Resolution in relation to the election of Mr. Luo Maoquan as the chairman of the eighth session of the Supervisory Committee of the Company 2. Resolution in relation to the signing of the Construction Connected Transaction Framework Agreement between the Company and Shudao Investment
The 2nd meeting of the eighth session of the Supervisory Committee	12 December 2022	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.



## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

In 2022, the attendance of the meetings of the Supervisory Committee and general meetings by the Supervisors is as follows:

Name of Supervisor	Required attendance in the meetings of the Supervisory Committee during the Year	Attendance of meetings of the Supervisory Committee			Number of attendance/required attendance in the meetings	Attendance of general meetings
		Attendance in person	Attendance via communications	Attendance by proxy		Number of attendance/number of meeting
Luo Maoquan	9	9	0	0	9/9	6/6
Ling Xiyun	9	9	0	0	9/9	6/6
Wang Yao	9	9	0	0	9/9	6/6
Gao Ying	9	9	6	0	9/9	6/6
Li Tao	9	9	0	0	9/9	6/6
Lu Xiaoyan	9	9	0	0	9/9	6/6

Number of meetings of the Supervisory Committee held during the Year	9
Of which: Number of physical meetings	1
Number of meetings held via communications	0
Number of meetings held by way of combination of both	8

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.

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

### 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 2022 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 2022 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.

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

### 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 2022, the Board had issued the 2022 Assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2022 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.

# INDEPENDENT AUDITOR'S REPORT



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## To the shareholders of Sichuan Expressway Company Limited

(Incorporated in the People's Republic of China with limited liability)

## OPINION

We have audited the consolidated financial statements of Sichuan Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 238, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.



# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## KEY AUDIT MATTERS (CONTINUED)

### Key audit matter

### How our audit addressed the key audit matter

#### *Impairment of trade receivables*

As at 31 December 2022, the Group had trade receivables before impairment aggregating to approximately RMB1,693,594,000, which was material to the Group's consolidated financial statements.

Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including the credit profile of different customers, ageing, 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 RMB 37,601,000 should be required as at 31 December 2022.

The accounting policies and disclosures about the impairment assessment for trade receivables are included in notes 2.4, 3, 25 and 41 to the financial statements.

Our audit procedures to assess the impairment of trade receivables included the following:

- We assessed and tested the design and operating effectiveness of the internal controls over the credit approval 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 provision for trade receivables and the Group's exposure to credit risk in the consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

As part of an audit in accordance with HKSAAs, 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.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	4, 5	<b>9,763,056</b>	8,830,296
Cost of sales		<b>(8,134,300)</b>	(6,696,983)
<b>Gross profit</b>		<b>1,628,756</b>	2,133,313
Other income and gains	5	<b>271,250</b>	1,153,472
Administrative expenses		<b>(354,966)</b>	(367,385)
Other expenses		<b>(62,609)</b>	(88,042)
Finance costs	6	<b>(425,603)</b>	(583,565)
Share of profits and losses of:			
Joint ventures	16	<b>8,880</b>	13,628
Associates	17	<b>23,271</b>	26,775
<b>PROFIT BEFORE TAX</b>	7	<b>1,088,979</b>	2,288,196
Income tax expense	9	<b>(272,104)</b>	(337,180)
<b>PROFIT FOR THE YEAR</b>		<b>816,875</b>	1,951,016
Attributable to:			
Owners of the Company		<b>764,821</b>	1,870,856
Non-controlling interests		<b>52,054</b>	80,160
		<b>816,875</b>	1,951,016
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:			
Changes in fair value		<b>13,373</b>	237,748
Income tax effect		<b>(1,601)</b>	(34,577)
		<b>11,772</b>	203,171
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>11,772</b>	203,171
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>828,647</b>	2,154,187

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

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Attributable to:			
Owners of the Company		777,059	2,074,891
Non-controlling interests		51,588	79,296
		<b>828,647</b>	2,154,187
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
– Basic and diluted	11	<b>RMB0.250</b>	RMB0.612

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	756,132	710,177
Service concession arrangements	13	32,951,568	29,368,853
Right-of-use assets	14	317,762	366,747
Goodwill	15	7,583	–
Investments in joint ventures	16	128,796	137,169
Investments in associates	17	472,804	305,001
Equity investments designated at fair value through other comprehensive income	18	93,233	449,055
Financial assets at fair value through profit or loss	26	28,777	–
Loans to customers	19	–	1,419,757
Long term compensation receivables	20	–	3,351
Payments in advance	21	426,785	550,980
Contract assets	24	–	31,000
Deferred tax assets	22	34,971	15,738
Restricted deposits	27	112	38
Total non-current assets		35,218,523	33,357,866
<b>CURRENT ASSETS</b>			
Inventories	23	30,076	63,069
Loans to customers	19	–	1,382,359
Trade and other receivables	25	2,267,651	2,004,388
Financial assets at fair value through profit or loss	26	365	417
Cash and cash equivalents	27	2,552,021	3,837,070
Restricted deposits	27	–	2,328
Total current assets		4,850,113	7,289,631



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CURRENT LIABILITIES</b>			
Tax payable		144,957	119,012
Trade and other payables	29	1,685,430	1,841,903
Contract liabilities	28	9,136	–
Interest-bearing bank and other borrowings	30	1,890,472	1,469,173
Derivative financial instruments	31	–	2,548
Total current liabilities		3,729,995	3,432,636
<b>NET CURRENT ASSETS</b>		1,120,118	3,856,995
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		36,338,641	37,214,861
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	30	17,404,990	18,513,140
Deferred tax liabilities	22	1,275	12,995
Deferred income	29	211,757	240,265
Total non-current liabilities		17,618,022	18,766,400
Net assets		18,720,619	18,448,461
<b>EQUITY</b>			
<b>Equity attributable to owners of the company</b>			
Issued capital	32	3,058,060	3,058,060
Reserves	33	14,747,607	14,306,935
		17,805,667	17,364,995
Non-controlling interests		914,952	1,083,466
Total equity		18,720,619	18,448,461

Gan Yongyi  
Director

Li Wenhui  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the Company											
	Issued capital	Share premium account	Statutory surplus reserve	Difference arising from changes in non-controlling interests	Fair value reserve of financial assets at fair value through other comprehensive income	General risk reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Total	Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 32)		(note 33(a))		(note 33(d))	(note 33(b))	(note 33(c))					
At 31 December 2021 and 1 January 2022	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
Profit for the year	-	-	-	-	-	-	-	-	-	764,821	764,821	52,054
Other comprehensive income for the year:												
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	12,238	-	-	-	-	-	12,238	(466)
Total comprehensive income for the year	-	-	-	-	12,238	-	-	-	-	764,821	777,059	51,588
Transfer to/(from) reserves	-	-	479,915	-	-	-	-	-	-	(479,915)	-	-
Establishment for safety fund reserve	-	-	-	-	-	-	-	4,791	-	(4,791)	-	-
Establishment for general risk reserve	-	-	-	-	-	(42,548)	-	-	-	42,548	-	-
Utilisation of safety fund reserve	-	-	-	-	-	-	-	(2,128)	-	2,128	-	-
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	36,200
Transfer of fair value reserve upon the disposal of equity investments designed at fair value through other comprehensive income (note 18)	-	-	-	-	(217,073)	-	-	-	-	217,073	-	-
Disposal of a subsidiary (note 35)	-	-	(21,548)	-	-	-	-	-	-	21,548	-	(191,050)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(65,252)
Final 2021 dividend declared (note 10)	-	-	-	-	-	-	-	-	-	(336,387)	(336,387)	-
At 31 December 2022	3,058,060	2,654,601*	6,851,280*	(254,570)*	(9,915)*	7,421*	(533,123)*	16,869*	1,127,725*	4,887,319*	17,805,667	914,952

\* These reserve accounts comprise the consolidated reserves of RMB14,747,607,000 (2021: RMB14,306,935,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022

	Attributable to owners of the company												
					Fair value reserve of Difference arising from changes in non- controlling interests	General risk reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Total	Non- controlling interests	Total equity
Issued capital	Share premium account	Statutory surplus reserve			comprehensive income								
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(note 32)		(note 33(a))				(note 33(d))	(note 33(b))	(note 33(c))					
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 to/(from) 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 designed at fair value through other comprehensive income	-	-	-	-	(21,739)	-	-	-	-	21,739	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	34,134	34,134
Deemed disposal of investment in a joint venture	-	-	-	-	-	-	-	-	(285)	-	(285)	-	(285)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(31,620)	(31,620)
Final 2020 dividend declared	-	-	-	-	-	-	-	-	-	(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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Profit before tax		1,088,979	2,288,196
Adjustments for:			
Finance costs	6	425,603	583,565
Share of profits and losses of joint ventures and associates		(32,151)	(40,403)
Fair value loss/(gain) on derivative financial instruments	5	(3,448)	2,618
Fair value loss on financial assets at fair value through profit or loss	7	213	–
Gain on disposal of financial assets at fair value through profit or loss	5	(22)	(240)
Depreciation of property, plant and equipment	12	104,144	93,273
Depreciation of right-of-use assets	14	64,634	61,931
Amortisation of service concession arrangements	13	847,194	802,374
Foreign exchange loss/(gain), net		9,434	(1,598)
Impairment loss on loans to customers	7	–	52,359
Impairment loss on financial assets included in other receivables	7	37,303	1,839
(Reversal of)/provision for impairment loss on trade receivables	5,7	(13,645)	736
Loss on disposal of items of property, plant and equipment	7	5,191	307
Loss on disposal of items of service concession agreements	7	–	2,269
Interest income	5	(58,816)	(64,058)
Gain on disposal of a subsidiary	35	(10,660)	(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	(7,143)	(7,014)
Fair value gain on a previously held equity interest at the date of business combination	5	(3,641)	–
		<b>2,453,169</b>	<b>2,876,745</b>
Additions to service concession arrangements		(4,100,341)	(2,500,606)
Increase in properties under development		–	(208,018)
Decrease in completed properties held for sale		–	459,626
Decrease/(increase) in loans to customers		235,483	(544,898)
Decrease in restricted deposits		2,254	6,309
Decrease/(increase) in non-current payments in advances		124,195	(550,980)
Decrease in deferred income		(33,994)	(37,149)
Decrease in contract assets		–	11,202
(Increase)/decrease in trade and other receivables		(251,773)	170,523
Decrease/(increase) in inventories		32,993	(14,080)
Increase/(decrease) in contract liabilities		9,136	(594,645)
Decrease in trade and other payables		(87,148)	(784,882)
Cash used in operations		(1,616,026)	(1,710,853)
Interest paid		(6,716)	(7,439)
Income tax paid		(288,838)	(366,393)
Net cash flows used in operating activities		<b>(1,911,580)</b>	<b>(2,084,685)</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment	12	(157,324)	(64,343)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		369,195	70,576
Repayment of principal and interest of a loan due from a related party		–	1,353,449
Acquisition of a subsidiary	34	(3,554)	–
Disposal of a subsidiary	35	98,411	442,902
Investments in financial assets at fair value through profit or loss		(28,938)	(222)
Proceeds from disposal of financial assets at fair value through profit or loss		8,209	469
Proceeds from disposal of items of property, plant and equipment		1,078	3,612
Interest received		53,275	47,780
Dividend received from associates		48,061	17,063
Dividend received from a joint venture	16	10,893	7,938
Dividend received from equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss	5	7,143	7,014
Receipt of government grants related to assets		5,668	–
Increase in time deposits	27	(183,799)	–
Decrease in pledged deposits		–	15,000
Net cash flows from investing activities		228,318	1,901,238
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(738,730)	(557,191)
Proceeds from bank loans		3,443,018	4,629,058
Repayment of bank loans		(2,067,594)	(2,888,590)
Proceeds from other borrowings		52,500	130,900
Repayment of other borrowings		(85,668)	(146,816)
Proceeds from medium term notes		–	1,000,000
Repayment of medium term notes		–	(1,000,000)
Proceeds from super short term commercial papers		–	400,000
Repayment of super short term commercial papers		–	(400,000)
Principal portion of lease payments		(29,878)	(24,494)
Dividends paid to owners of the Company		(336,387)	(244,645)
Capital injection by non-controlling shareholders		36,200	3,009
Dividends paid to non-controlling shareholders		(59,051)	(61,054)
Net cash flows from financing activities		214,410	840,177
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		3,837,070	3,180,340
Effect of foreign exchange rate changes, net		4	–
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>2,368,222</b>	<b>3,837,070</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		2,368,222	3,837,070
Non-pledged time deposits		183,799	–
Cash and cash equivalents as stated in the consolidated statement of financial position	27	2,552,021	3,837,070

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

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

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

- investment holding;
- construction, management and operation of expressways and a high-grade toll bridge;
- construction and operation of gas stations along expressways; and
- provision of charging services for electric vehicles.

In the opinion of the Directors, Shudao Investment Group Company Limited ("Shudao Investment") 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 <i>RMB'000</i>	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
Sichuan Chengle Expressway Company Limited ("Chengle Company")	560,790	100	–	Construction and operation of Chengle Expressway
Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company")	220,000	60	–	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Sichuan Shudao Chengyu Investment Co., Ltd ("Shudao Chengyu Investment", formerly known as "Chengdu Shuhai Investment Management Company Limited")	152,773	100	–	Investment holding
Sichuan Shuxia Industrial Company Limited ("Shuxia")	200,000	100	–	Provision of ancillary services and property development

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Nominal value of issued/registered capital <i>RMB'000</i>	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
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")	710,800	82	–	Construction and operation of Tianqiong Expressway
Sichuan Chengya Expressway Oil Supply Company Limited	27,200	51	–	Management of gas stations along expressways
Chengyu Logistics Company Limited	50,000	–	100	Logistics service
Sichuan Zhonglu Energy Company Limited	52,000	51	–	Management of gas stations along expressways
Chengdu Shuhong Property Company Limited	100,000	100	–	Construction project management
Renshou Shunan Investment Management Company Limited	100,000	–	100	Construction project management
Ziyang Shunan Chengxing Project Construction & Management Company Limited	157,600	–	94.99	Construction project management

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION (CONTINUED)

### Information about subsidiaries (Continued)

Name	Nominal value of issued/registered capital <i>RMB'000</i>	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
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")	74,000	–	89.99	Construction project management
Sichuan Chengyu Xingshu Supply Chain Management Co., Ltd. (formerly known as "Commercial Factoring Company Sichuan Chengyu Commercial Factoring Company Limited")	200,000	–	51	Logistics service
Sichuan Multimodal United Transportation Investment and Development Co., Ltd. ("Multimodal United Transportation Company")	1,000,000	51	–	Project investment and investment consultation
Sichuan Shudao New Energy Technology Development Co., Ltd. (formerly known as "Sichuan Chengyu Transportation Technology Development Co., Ltd")	480,000	100	–	New energy service

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.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *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 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1, 5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2, 4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

<sup>5</sup> 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

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, 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 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) 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.

Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to HKAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB21,166,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB19,524,000 for taxable temporary differences associated with right-of-use assets and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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.

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*.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Business combinations and goodwill (continued)

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

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

#### Fair value measurement

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

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

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair value measurement (continued)

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, 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.

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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment and depreciation

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

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

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

Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	8 years
Buildings	15 – 30 years
Machinery and equipment	5 – 10 years
Motor vehicles	8 years
Leasehold improvements	3 – 10 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.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property, plant and equipment and depreciation (continued)

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.

#### 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Service concession arrangements (continued)

Particulars of the expressways managed and operated by the Group as at 31 December 2022 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

### 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.

### Investments and other financial assets

#### *Initial recognition and measurement*

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investments and other financial assets (continued)

##### *Initial recognition and measurement (continued)*

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.

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments and other financial assets (continued)

#### *Subsequent measurement (continued)*

##### *Financial assets at fair value through profit or loss*

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

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

#### **Derecognition of financial assets**

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of financial assets

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

#### *General approach*

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of financial assets (continued)

#### *General approach (continued)*

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

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

#### *Simplified approach*

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

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



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 and interest-bearing bank and other borrowings.

##### *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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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 carry-forward 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.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 products*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (continued)

#### *Revenue from contracts with customers (continued)*

(c) *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.

(d) *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;

(e) *Provision of charging services for electric vehicles*

For the provision of charging services for electric vehicles, revenue is recognised based on the electricity transmitted.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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)

### 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.

### 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.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

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

### Dividends

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

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these 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.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Revenue recognition*

The Group applies judgements in determining whether it is principally involved in the trading of goods. The Group concludes that it acts as a principal and recognises revenue in the gross amount as the Group is able to control goods before transferring to the customers and has discretion in establishing the price for goods.

#### *Estimation uncertainty*

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

#### *(a) Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB7,583,000 (2021: nil). Further details are included in note 15 to the financial statements.

Consider including the range of reasonably possible outcomes within the next financial year and the sensitivity of carrying amounts to the methods, assumptions and estimates underlying the calculation, including the reasons for the sensitivity if not otherwise disclosed in note 15 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### **(b) Provision for ECLs on receivables and contract assets**

The Group uses a provision matrix to calculate ECLs for receivables and contract assets. 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 and contract assets is disclosed in notes 25 and 24 to the financial statements, respectively.

##### **(c) 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.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Estimation uncertainty (continued)

##### **(d) 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.

##### **(e) Amortisation of service concession arrangements**

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

##### **(f) Fair value of unlisted equity investments**

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 40 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2022 was RMB39,227,000 (2021: RMB359,529,000). Further details are included in notes 18 and 26 to the financial statements.

##### **(g) 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 2022 was RMB34,971,000 (2021: RMB15,738,000). Further details are included in note 22 to the financial statements.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 4. OPERATING SEGMENT INFORMATION

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

- (a) the expressways segment comprises the operation of expressways and a high-grade toll bridge in Mainland China;
- (b) the new energy technologies segment comprises the provision of charging services for electric vehicles;
- (c) the transportation services segment comprises the provision of advertising, the rental of properties along expressways, the operation of gas stations along expressways and the sale of oil products;
- (d) the transportation logistics segment comprises the bulk commodity logistics trade business;
- (e) the construction services segment comprises the provision of construction and upgrade services under the service concession arrangements and construction contracts; and
- (f) others segment mainly comprise the financial investment.

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, 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.

During the year ended 31 December 2022, the Company has approved and passed the outline of the "14th Five-Year" development plan. Management has revised other reportable segments and the Group's internal reporting, in which the old segment "Toll roads and bridges" and "Others" were renamed as the new segment "Expressways" and "New Energy Technologies", respectively. The transportation services related businesses in old segment "City Operation" and "Energy Investment" were combined into the new segment "Transportation Services". The construction services related businesses and logistics related businesses in old segment "City Operation" have been split into the new segments "Construction services" and "Transportation Logistics". The remaining businesses were merged into segment "Others". As a result of the changes to reportable segments and segment presentation, the prior year segment information for the year ended 31 December 2021 has been re-presented to conform with the revised presentation.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

	Expressways RMB'000	New Energy Technologies RMB'000	Transportation Services RMB'000	Transportation Logistics RMB'000	Construction Services RMB'000	Others RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b> (note 5)	3,102,301	11,665	1,962,054	322,397	4,210,364	154,275	9,763,056
<b>SEGMENT RESULTS</b>	1,018,147	975	135,273	20,252	72,022	87,995	1,334,664
<i>Reconciliation:</i>							
Gain on disposal of a subsidiary							10,660
Unallocated income and gains							98,970
Corporate and other unallocated expenses							(355,315)
Profit before tax							1,088,979
<b>SEGMENT ASSETS</b>	34,384,955	93,862	277,068	338,578	1,923,698	333,413	37,351,574
<i>Reconciliation:</i>							
Equity investments designated at fair value through other comprehensive income							93,233
Financial assets at fair value through profit or loss							29,142
Goodwill							7,583
Deferred tax assets							34,971
Restricted deposits							112
Cash and cash equivalents							2,552,021
Total assets							40,068,636
<b>SEGMENT LIABILITIES</b>	19,854,206	11,483	98,231	28,076	1,336,839	19,182	21,348,017
Total liabilities							21,348,017
<b>OTHER SEGMENT INFORMATION</b>							
Share of profits and losses of associates	9,479	-	-	984	-	12,808	23,271
Share of profits and losses of joint ventures	8,880	-	-	-	-	-	8,880
Impairment loss on other receivables	-	-	-	(37,303)	-	-	(37,303)
Reversal of impairment loss of trade receivables	-	-	-	13,645	-	-	13,645
Finance costs	386,908	37,967	84	609	-	35	425,603
Depreciation and amortisation	988,112	2,254	13,961	2,129	7,385	2,131	1,015,972
Investments in associates	68,121	-	-	73,203	-	331,480	472,804
Investments in joint ventures	128,796	-	-	-	-	-	128,796
Capital expenditure*	4,478,217	81,213	12,063	1,083	12,936	1,721	4,587,233

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

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

	Expressways RMB'000	New Energy Technologies RMB'000	Transportation Services RMB'000	Transportation Logistics RMB'000	Construction Services RMB'000	Others RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b> (note 5)	3,465,849	–	1,899,217	36,611	2,610,855	817,764	8,830,296
<b>SEGMENT RESULTS</b>	1,223,489	(92)	193,343	2,191	63,776	188,154	1,670,861
<i>Reconciliation:</i>							
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
<b>SEGMENT ASSETS</b>	31,002,736	1,964	315,431	222,515	1,807,514	2,992,691	36,342,851
<i>Reconciliation:</i>							
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
<b>SEGMENT LIABILITIES</b>	19,348,857	1,600	100,053	12,191	1,309,247	1,424,540	22,196,488
<i>Reconciliation:</i>							
Derivative financial instruments							2,548
Total liabilities							22,199,036
<b>OTHER SEGMENT INFORMATION</b>							
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
Finance costs	503,665	68	1,179	162	39,724	38,767	583,565
Depreciation and amortisation	925,492	967	24,149	496	2,833	3,641	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	10	14,980	31	232	19,414	2,765,318

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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 2022, 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:

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
Revenue from contracts with customers	<b>9,591,906</b>	8,606,123
Revenue from other sources		
Finance leasing	<b>153,987</b>	198,241
Commercial factoring	<b>288</b>	936
Gross rental income from operating leases:		
Other lease payments, including fixed payments	<b>16,875</b>	24,996
	<b>171,150</b>	224,173
	<b>9,763,056</b>	8,830,296



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### Revenue from contracts with customers

#### (a) Disaggregated revenue information

For the year ended 31 December 2022

#### Segments

	Expressways RMB'000	New Energy Technologies RMB'000	Transportation Services RMB'000	Transportation Logistics RMB'000	Construction Services RMB'000	Total RMB'000
<b>Types of goods or services</b>						
Toll income	3,102,301	-	-	-	-	3,102,301
Construction services	-	-	-	-	4,210,364	4,210,364
Sale of products	-	2,885	1,889,699	322,397	-	2,214,981
Charging services for electric vehicles	-	8,780	-	-	-	8,780
Others	-	-	55,480	-	-	55,480
Total revenue from contracts with customers	3,102,301	11,665	1,945,179	322,397	4,210,364	9,591,906

#### Geographical market

Revenues under HKFRS 15 are all generated in Mainland China.

<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	3,102,301	11,665	1,945,179	322,397	-	5,381,542
Services transferred over time	-	-	-	-	4,210,364	4,210,364
Total revenue from contracts with customers	3,102,301	11,665	1,945,179	322,397	4,210,364	9,591,906

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

### Revenue from contracts with customers (continued)

#### (a) Disaggregated revenue information (continued)

For the year ended 31 December 2021

#### Segments

	Expressways RMB'000	Transportation Services RMB'000	Transportation Logistics RMB'000	Construction Services RMB'000	Others RMB'000	Total RMB'000
<b>Types of goods or services</b>						
Toll income	3,465,849	-	-	-	-	3,465,849
Construction services	-	-	-	2,610,855	-	2,610,855
Sale of products	-	1,811,440	36,611	-	-	1,848,051
Property development	-	-	-	-	618,587	618,587
Others	-	62,781	-	-	-	62,781
<b>Total revenue from contracts with customers</b>	<b>3,465,849</b>	<b>1,874,221</b>	<b>36,611</b>	<b>2,610,855</b>	<b>618,587</b>	<b>8,606,123</b>

#### Geographical market

Revenues under HKFRS 15 are all generated in Mainland China.

<b>Timing of revenue recognition</b>						
Goods transferred at a point in time	3,465,849	1,874,221	36,611	-	618,587	5,995,268
Services transferred over time	-	-	-	2,610,855	-	2,610,855
<b>Total revenue from contracts with customers</b>	<b>3,465,849</b>	<b>1,874,221</b>	<b>36,611</b>	<b>2,610,855</b>	<b>618,587</b>	<b>8,606,123</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

#### Revenue from contracts with customers (continued)

##### (a) Disaggregated revenue information (continued)

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Property development	–	618,587

##### (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 products*

The performance obligation is satisfied upon delivery of the 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)

##### *Charging services for electric vehicles*

The performance obligation is satisfied upon the completion of the electricity transmitted.

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

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	5,192,259	4,858,598
After one year	7,976,069	5,095,888
	<b>13,168,328</b>	9,954,486

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.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2022 RMB'000	2021 RMB'000
<b>Other income and gains</b>		
Interest income from bank deposits	56,832	45,072
Interest income from discounting long-term compensation receivables	1,885	3,342
Interest income arising from construction contracts	109,846	77,653
Interest income from a related party	99	15,644
	<b>168,662</b>	141,711
Rental income from operating leases of other lease payments, including fixed payments	4,409	4,909
Government grants*	33,994	41,693
Dividend income from equity investments designated at fair value through other comprehensive income (note 18)	7,130	6,993
Dividend income from financial assets at fair value through profit or loss	13	21
Road damage compensation income	21,891	29,219
Gain on disposal of financial assets on at fair value through profit or loss	22	240
Gain on disposal of subsidiaries (note 35)	10,660	899,409
Gain on disposal of properties under development	–	26,584
Foreign exchange gains, net	–	1,598
Reversal of impairment loss of trade receivables	13,645	–
Fair value gain on derivative financial instruments	3,448	–
Fair value gain on remeasurement of a previously held equity interest in a joint venture at the date of business combination	3,641	–
Miscellaneous	3,735	1,095
<b>Total other income and gains</b>	<b>271,250</b>	<b>1,153,472</b>

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

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank and other borrowings	775,581	828,408
Interest on super short term commercial papers	–	5,918
Interest on medium term notes	53,315	49,485
Interest on lease liabilities (note 14(b))	6,716	7,439
	835,612	891,250
Less:		
Interest capitalised in respect of:		
– Service concession arrangements (note 13(d))	(329,568)	(200,369)
– Properties under development	–	(9,063)
Interest recorded under cost of sales	(80,441)	(98,253)
	425,603	583,565
Interest rate of borrowing costs capitalised	3.57%-3.92%	3.92%-6.8%

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2022 RMB'000	2021 RMB'000
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration (note 8)):			
Wages and salaries		564,723	550,038
Pension scheme contributions*			
– Defined contribution fund		91,856	88,225
Housing fund*			
– Defined contribution fund		62,355	59,434
Supplementary pension scheme*			
– Defined contribution fund		22,774	24,126
Other staff benefits		133,857	130,671
Employee benefit expense**		875,565	852,494
Depreciation of property, plant and equipment	12	104,144	93,273
Amortisation of service concession arrangements	13	847,194	802,374
Depreciation of right-of-use assets	14(a)	64,634	61,931
Depreciation and amortisation expenses**		1,015,972	957,578
Construction costs in respect of:			
– Service concession arrangements**		4,100,341	2,500,606
– Construction works performed for other parties**		98,189	108,110
Construction costs		4,198,530	2,608,716

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 7. PROFIT BEFORE TAX (CONTINUED)

	<i>Notes</i>	<b>2022 RMB'000</b>	<b>2021 RMB'000</b>
Cost of sales		<b>2,010,025</b>	1,565,316
Cost of properties sold		–	472,121
Cost of finance lease operation		<b>80,441</b>	98,253
Cost of charging services		<b>5,038</b>	–
Repairs and maintenance		<b>159,443</b>	217,794
Lease payments not included in the measurement of lease liabilities	14(c)	<b>1,484</b>	4,009
Auditor's remuneration		<b>3,682</b>	3,120
Loss on disposal of items of property, plant and equipment		<b>5,191</b>	307
Loss on disposal of items of service concession arrangements		–	2,269
Impairment loss on loans to customers		–	52,359
Impairment loss on trade receivables		–	736
Impairment loss on other receivables	25(c)	<b>37,303</b>	1,839
Fair value loss on derivative financial instruments		–	2,618
Fair value loss on financial assets at fair value through profit or loss		<b>213</b>	–
Foreign exchange losses, net		<b>9,567</b>	–

\* 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 RMB60,958,000 (2021: RMB44,730,000), and depreciation and amortisation charges of RMB5,487,000 (2021: RMB2,368,000) were included in construction costs.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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:

	2022 RMB'000	2021 RMB'000
Fees	320	320
Other emoluments:		
Salaries, allowances and benefits in kind	5,362	5,189
Pension scheme contributions	273	252
Supplementary pension scheme contributions	330	276
	5,965	5,717
	6,285	6,037

#### (a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Mr. Gao Jinkang <sup>[a]</sup>	–	32
Mr. Yan Qixiang	80	80
Madam Bu Danlu	80	80
Mr. Yu Haizong <sup>[b]</sup>	80	48
Madam Liu Lina <sup>[c]</sup>	53	80
Mr. Zhang Qinghua <sup>[d]</sup>	27	–
	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.

[c] Madam Liu Lina resigned as the independent non-executive director of the Company on 30 August 2022.

[d] Mr. Zhang Qinghua was appointed as the Company's independent non-executive director on 30 August 2022 and has been entitled to remuneration since 30 August 2022.

There were no other emoluments payable to the independent non-executive directors during the year (2021: nil).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 bonuses RMB'000	Pension Scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors:					
Mr. You Zhiming	647	-	39	47	733
Mr. He Zhuqing <sup>[a]</sup>	407	-	-	-	407
Mr. Gan Yongyi	803	-	39	50	892
Mr. Li Wenhui	803	-	39	49	891
Madam Ma Yonghan	642	-	39	49	730
Madam Xue Min <sup>[b]</sup>	203	-	-	-	203
	3,505	-	156	195	3,856
Non-executive director:					
Mr. Li Chengyong	-	-	-	-	-
Mr. Liu Changsong <sup>[c]</sup>	-	-	-	-	-
Mr. Wu Xinhua <sup>[d]</sup>	-	-	-	-	-
Mr. Chen Chaoxiang <sup>[e]</sup>	-	-	-	-	-
	3,505	-	156	195	3,856

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 bonuses RMB'000	Pension Scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total remuneration 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 Wenhui	747	–	36	35	818
Madam Ma Yonghan	634	–	36	30	700
	3,406	–	144	148	3,698
Non-executive director:					
Mr. Li Chengyong	–	–	–	–	–
Mr. Yang Guofeng <sup>[f]</sup>	–	–	–	–	–
Mr. Liu Changsong <sup>[c]</sup>	–	–	–	–	–
	3,406	–	144	148	3,698

[a] Mr. He Zhuqing resigned as the Company's executive director on 9 August 2022.

[b] Madam Xue Min was appointed as the Company's executive director on 30 August 2022.

[c] Mr. Liu Changsong was appointed as the Company's non-executive director on 9 November 2021 and resigned as the Company's non-executive director on 18 November 2022.

[d] Mr. Wu Xinhua was appointed as the Company's non-executive director on 18 November 2022.

[e] Mr. Chen Chaoxiong was appointed as the Company's non-executive director on 30 August 2022.

[f] Mr. Yang Guofeng resigned as the Company's non-executive director on 11 October 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: nil).

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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 bonuses RMB'000	Pension Scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors:					
Mr. Luo Maoquan	723	-	39	50	812
Mr. Ling Xiyun	-	-	-	-	-
Mr. Wang Yao	-	-	-	-	-
Madam Li Tao	642	-	39	49	730
Madam Gao Ying	-	-	-	-	-
Madam Lu Xiaoyan	492	-	39	36	567
	1,857	-	117	135	2,109
2021					
Executive directors:					
Mr. Luo Maoquan	691	-	36	47	774
Mr. Hu Yaosheng <sup>[a]</sup>	121	-	9	13	143
Mr. Ling Xiyun	-	-	-	-	-
Mr. Wang Yao	-	-	-	-	-
Madam Li Tao	606	-	36	38	680
Madam Gao Ying	-	-	-	-	-
Madam Lu Xiaoyan <sup>[b]</sup>	365	-	27	30	422
	1,783	-	108	128	2,019

[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.

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year 2021: nil).



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 (2021: one) and one supervisor (2021: one), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are not a director, chief executive, or supervisor of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,294	1,320
Performance related bonuses	–	–
Pension scheme contributions	78	72
	1,372	1,392

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 (2021: no), three non-executive directors (2021: three) and three supervisors (2021: three) did not receive any remuneration from the Company in 2022. They are respectively the senior executives and directors of Shudao Investment 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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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 2022 and 2021.

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 2022 continued to be calculated at a tax rate of 15%.

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

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	<b>272,952</b>	346,673
Underprovision/(overprovision) in prior years	<b>4,417</b>	(1,583)
Deferred ( <i>note 22</i> )	<b>(5,265)</b>	(7,910)
Total tax charge for the year	<b>272,104</b>	337,180

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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:

	2022 RMB'000	2021 RMB'000
Profit before tax	1,088,979	2,288,196
Tax at the applicable tax rates of:		
25%	43,444	55,396
15%	137,280	309,992
Sub-total	180,724	365,388
Income not subject to tax	(1,688)	(88,236)
Expenses not deductible for tax	16,175	6,091
Underprovision/(overprovision) in prior years	4,417	(1,583)
Profit attributable to associates and joint ventures	(5,995)	(7,229)
Tax losses and deductible temporary differences not recognised	75,716	68,048
Tax losses utilised from previous years	—	(7,418)
Tax arising from intra-group borrowings	—	626
Dividend from a joint venture not subject to tax	1,634	1,184
Others	1,121	309
Tax charge at the Group's effective tax rate	272,104	337,180

The share of tax attributable to associates and joint ventures amounting to RMB9,230,000 (2021: RMB10,779,000) 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 10. DIVIDENDS

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
Proposed final – RMB0.100 (2021: RMB0.110) per ordinary share	<b>305,806</b>	336,387

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements have not reflected this proposed final dividend.

### 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 (2021: 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 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 12. PROPERTY, PLANT AND EQUIPMENT

	Safety equipment <i>RMB'000</i>	Communication and signalling systems <i>RMB'000</i>	Toll collection equipment <i>RMB'000</i>	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2022</b>									
<b>Cost</b>									
At 1 January 2022	636,307	147,868	400,989	642,167	235,198	95,437	-	19,909	2,177,875
Additions during the year	3,999	7,567	12,935	45,908	52,701	7,045	-	27,169	157,324
Acquisition of a subsidiary (note 34)	-	-	-	-	50	-	-	-	50
Disposals and write-offs	(1,045)	(207)	(36,403)	(3,498)	(15,940)	(4,001)	-	-	(61,094)
Disposal of a subsidiary (note 35)	-	(29)	-	-	(1,316)	(1,304)	-	-	(2,649)
Transfer	-	-	-	7,086	1,141	-	11,712	(19,939)	-
At 31 December 2022	639,261	155,199	377,521	691,663	271,834	97,177	11,712	27,139	2,271,506
<b>Accumulated depreciation:</b>									
At 1 January 2022	595,965	104,280	217,387	339,821	148,711	61,534	-	-	1,467,698
Provided during the year (note 7)	4,562	7,186	34,035	25,057	26,640	5,487	1,177	-	104,144
Disposals and write-offs	(754)	(200)	(32,310)	(2,544)	(15,446)	(3,571)	-	-	(54,825)
Disposal of a subsidiary (note 35)	-	(12)	-	-	(821)	(810)	-	-	(1,643)
At 31 December 2022	599,773	111,254	219,112	362,334	159,084	62,640	1,177	-	1,515,374
<b>Net carrying amount</b>									
At 1 January 2022	40,342	43,588	183,602	302,346	86,487	33,903	-	19,909	710,177
At 31 December 2022	39,488	43,945	158,409	329,329	112,750	34,537	10,535	27,139	756,132

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Safety equipment <i>RMB'000</i>	Communication and signalling systems <i>RMB'000</i>	Toll collection equipment <i>RMB'000</i>	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2021</b>								
<b>Cost</b>								
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
<b>Accumulated depreciation:</b>								
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
<b>Net carrying amount</b>								
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

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 13. SERVICE CONCESSION ARRANGEMENTS

	2022 RMB'000	2021 RMB'000
<b>Cost:</b>		
At 1 January	37,823,075	35,311,765
Additions	4,429,909	2,700,975
Disposals	–	(189,665)
At 31 December	42,252,984	37,823,075
<b>Accumulated amortisation:</b>		
At 1 January	8,454,222	7,654,174
Charged for the year (note 7)	847,194	802,374
Disposals	–	(2,326)
At 31 December	9,301,416	8,454,222
<b>Net carrying amount:</b>		
At 1 January	29,368,853	27,657,591
At 31 December	32,951,568	29,368,853

Notes:

- (a) At 31 December 2022, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 30(a)):

	2022 RMB'000	2021 RMB'000
Chengle Expressway	10,566,731	7,911,826
Chengren Expressway	6,102,008	6,290,814
Tianqiong Expressway	3,012,674	1,319,033
Suiguang Expressway and Suixi Expressway	11,099,484	11,312,363
	30,780,897	26,834,036

- (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 RMB4,429,909,000 (2021: RMB2,700,975,000) including construction costs of RMB4,100,341,000 and capitalised borrowing costs of RMB329,568,000 were incurred, among which RMB4,100,341,000 (2021: RMB2,500,606,000) was sub-contracted to third party subcontractors.
- (c) Construction revenue of RMB4,100,341,000 (2021: RMB2,500,606,000) 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 RMB329,568,000 (2021: RMB200,369,000) (note 6).

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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 to 10 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 2022	332,032	34,715	366,747
Additions	4,821	16,011	20,832
Terminations	–	(2,752)	(2,752)
Disposal of a subsidiary (note 35)	–	(2,431)	(2,431)
Depreciation charge (note 7)	(48,539)	(16,095)	(64,634)
As at 31 December 2022	288,314	29,448	317,762

#### (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:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	147,790	160,405
New leases	20,832	11,879
Terminations	(2,843)	–
Accretion of interest recognised during the year	6,716	7,439
Disposal of a subsidiary	(1,849)	–
Payments	(36,594)	(31,933)
Carrying amount at 31 December	134,052	147,790
Analysed into:		
Current portion	25,023	27,464
Non-current portion	109,029	120,326

The maturity analysis of lease liabilities is disclosed in note 30 to the financial statements.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 14. LEASES (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities (note 6)	6,716	7,439
Depreciation charge of right-of-use assets (note 7)	64,634	61,931
Expense relating to short-term leases (note 7)	1,484	4,009
Total amount recognised in profit or loss	72,834	73,379

(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 RMB21,284,000 (2021: RMB29,905,000), details of which are included in note 5 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 15. GOODWILL

The carrying amounts of goodwill as at 31 December 2022 are as follows:

	<b>2022</b> <b>RMB'000</b>
Cost and net carrying amount at beginning of the year	–
Acquisition of a subsidiary ( <i>note 34</i> )	<b>7,583</b>
Cost and net carrying amount at end of the year	<b>7,583</b>

### Impairment testing of goodwill

Goodwill acquired through a business combination is allocated to the Equity Fund cash-generating unit ("Equity Fund CGU") for impairment testing:

The recoverable amount of the Equity Fund CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the senior management. The pre-tax discount rate applied to the cash flow projections is 18.3% and cash flows beyond the five-year period were extrapolated using a growth rate of 2.3%, which was the same as the long term average growth rate of the industry.

Key assumptions used in the value in use calculations:

**Budgeted revenue** – The budgeted revenue is based on managements' expectation on the future investment plans. It mainly consists of the budgeted fund management fees, which are dependent on the amount of paid-in capital and the charge rate of fund management fees.

**Pre-tax discount rates** – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on investment plans and discount rate are consistent with external information sources.

The Directors had estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of each cash-generating unit, would still exceed its carrying amount.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 16. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	128,796	137,169

Particulars of the Group's joint ventures, which were established and operate in Mainland China, as of 31 December 2022 are as follows:

Name	Percentage of Ownership interest	Principal activities
Sichuan Chengyu Development Equity Investment Fund Center	49.84% (direct 49.18%, indirect 0.66%)	Asset management
Sichuan Communications Network Technology Company Limited ("Sichuan Communication")	49% (direct)	Technology service

On 25 January 2022, the Group acquired additional 50% equity interest in Sichuan Chengyu Private Equity Fund Management Co., Ltd. ("Chengyu Private Equity Fund", formerly known as "Chengdu Chengyujianxin Equity Investment Fund Management Company Limited"). Upon the completion of the acquisition, the Group's equity interest in Chengyu Private Equity Fund increased to 100%, and Chengyu Private Equity Fund became a subsidiary of the Company from a joint venture as previously accounted. The Group remeasured its previously held equity interest in Chengyu Private Equity Fund at fair value on 25 January 2022 and recognised the related gain of RMB3,641,000 (note 5) in profit or loss for the year.

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

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' profit for the year	8,880	13,628
Dividend declared during the year	(10,893)	(7,938)
Deemed disposal of investment in a joint venture	–	(285)
Transferred to an investment in an associate	–	(6,162)
Transfer arising from business combination	(6,360)	–
Aggregate carrying amount of the Group's investments in the joint ventures	128,796	137,169

Investments in joint ventures are measured using the equity method.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 17. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	481,967	314,164
Provision for impairment	(9,163)	(9,163)
	472,804	305,001

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 activity
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
Chengyu Financial Leasing Company ("Chengyu Financial Lease")	25.05%	Finance lease

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.

On 31 October 2022 (the "Disposal Date"), the Group disposed of the 44.95% equity interests in Chengyu Financial Lease to Shudao Capital Holding Group Co., Ltd. ("Shudao Capital"). Upon the completion of the disposal, the Group's equity interest in Chengyu Financial Lease decreased to 25.05% and Chengyu Financial Lease became an associate of the Group from a subsidiary as previously accounted.

Investments in associates are accounted for using the equity method.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 17. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2022 RMB'000	2021 RMB'000
Share of the associates' profit for the year	23,271	26,775
Share of the associates' other comprehensive income	–	–
Share of the associates' total comprehensive income	23,271	26,775
Transferred from investments in joint ventures	–	6,162
Dividend declared	(20,798)	(17,064)
Transferred from disposal of a subsidiary (note 35)	165,330	–
Aggregate carrying amount of the Group's investments in the associates	472,804	305,001

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

	2022 RMB'000	2021 RMB'000
<b>Equity investments designated at fair value through other comprehensive income</b>		
Listed equity investments, at fair value		
China Everbright Bank	82,783	89,526
Unlisted equity investments, at fair value		
Sichuan Zhineng Transportation System Management Company Limited	1,570	3,620
Chengdu Chengbei Expressway Gas Station Co., Ltd.	8,880	10,250
Sichuan Transportation Construction Group Co., Ltd. ("TCC")	–	345,659
	10,450	359,529
	93,233	449,055

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 July 2022, the Group disposed of its equity interests in TCC, as these investments no longer coincided with the Group's development strategy. The consideration of disposal aggregating to RMB369,195,000 and the accumulated gains recognised in other comprehensive income of RMB217,073,000 was transferred to retained profits.

During the year ended 31 December 2022, the Group received dividends in the amount of RMB7,130,000 (2021: RMB6,993,000) (note 5).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 19. LOANS TO CUSTOMERS

As at 31 December 2021, the Group's loans to customer with an aggregate amount of RMB2,802,116,000 represented net investments in fixed assets leased to third party customers under finance lease contracts made by the Group's subsidiary, Chengyu Financial Lease, of which was disposed by the Group during the year (note 35).

### 20. LONG TERM COMPENSATION RECEIVABLES

Pursuant to a compensation agreement dated 29 December 2006 entered into among the Xindu District Finance Bureau and the Communications Bureau (collectively Xindu District Government, "XDG"), Chengdu Municipal Committee of Communication ("CMCC") and Chengbei Company, a subsidiary of the Company, on 30 December 2006, Chengbei Company disposed of the operating rights of Dajian Road to XDG for a compensation of RMB211,802,000.

The compensation is satisfied by cash on the following salient terms:

- (a) An annual instalment of RMB13,000,000 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 20. LONG TERM COMPENSATION RECEIVABLES (CONTINUED)

The compensation can be analysed as follows:

	2022			2021		
	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	3,802	451	3,351	13,000	1,998	11,002
In the second to fifth years, inclusive	-	-	-	3,802	451	3,351
	3,802	451	3,351	16,802	2,449	14,353
Portion classified as current assets (note 25 (b))			(3,351)			(11,002)
Non-current portion			-			3,351

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.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 21. PAYMENTS IN ADVANCE

	Notes	2022 RMB'000	2021 RMB'000
In respect of:			
Sandstones	(a)	227,169	182,985
Construction	(b)	199,616	367,995
		<b>426,785</b>	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 RMB73,357,000 and RMB83,846,000 (2021: RMB56,168,000 and RMB251,225,000) were made to fellow subsidiaries under control of Shudao Investment 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.

## 22. DEFERRED TAX

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

### Deferred tax assets

	Deferred income <i>RMB'000</i>	Fair value adjustment arising from equity investments designated at fair value through other comprehensive income <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	25,114	4,393	6,482	35,989
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 9</i> )	(5,733)	–	13,153	7,420
At 31 December 2021 and 1 January 2022	19,381	4,393	19,635	43,409
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 9</i> )	(3,512)	–	8,256	4,744
Deferred tax credited to reserves during the year	–	285	–	285
Disposal of a subsidiary ( <i>note 35</i> )	–	–	(13,090)	(13,090)
At 31 December 2022	15,869	4,678	14,801	35,348

The Group has tax losses arising in Mainland China of RMB2,015,867,000 (2021: RMB2,100,022,000) 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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 22. 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 2021	9,051	1,365	10,416
Deferred tax credited to profit or loss during the year (note 9)	–	(490)	(490)
Deferred tax charged 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 and 1 January 2022	39,791	875	40,666
Deferred tax credited to profit or loss during the year (note 9)	–	(521)	(521)
Deferred tax charged to reserves during the year	1,886	–	1,886
Disposal of equity investments designated at fair value through other comprehensive income	(40,379)	–	(40,379)
At 31 December 2022	1,298	354	1,652

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 22. DEFERRED TAX (CONTINUED)

#### Deferred tax liabilities (continued)

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

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Gross deferred tax assets	<b>35,348</b>	43,409
Gross deferred tax liabilities	<b>(377)</b>	(27,671)
Net deferred tax assets	<b>34,971</b>	15,738
Gross deferred tax liabilities	<b>1,652</b>	40,666
Gross deferred tax assets	<b>(377)</b>	(27,671)
Net deferred tax liabilities	<b>1,275</b>	12,995

#### 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.

### 23. INVENTORIES

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Refined oil products	<b>24,935</b>	60,238
Spare parts and construction materials	<b>2,495</b>	2,831
Sandstones	<b>93</b>	—
Agricultural products	<b>2,553</b>	—
	<b>30,076</b>	63,069



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 24. CONTRACT ASSETS

As at 31 December 2021, the Group's contract assets with an aggregate amount of RMB31,000,000 represented the conditional receipt arising from construction services, of which were transferred to other receivables with the abort of the projects.

## 25. TRADE AND OTHER RECEIVABLES

	Notes	2022 RMB'000	2021 RMB'000
<b>Trade receivables</b>			
Trade receivables		1,693,594	1,726,499
Impairment		(37,601)	(51,246)
Trade receivables, net	(a)	1,655,993	1,675,253
Bills receivable		220,432	–
		1,876,425	1,675,253
<b>Other receivables</b>			
Deposit and other receivables	(b)	478,275	375,812
Impairment	(c)	(134,406)	(97,103)
		343,869	278,709
Prepayments		47,357	50,426
Other receivables, net		391,226	329,135
Total trade and other receivables		2,267,651	2,004,388

Notes:

- (a) The Group's trading terms of trade receivables arising from sales of 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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(a) (continued)

According to the contracts governing the relevant construction works, trade receivables of RMB1,075,667,000 as at 31 December 2022 (2021: RMB1,097,114,000) 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% (2021: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

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

	2022 RMB'000	2021 RMB'000
Within 3 months	168,417	928,478
3 to 6 months	12,494	51
6 to 12 months	19,390	1,459
Over 1 year	1,455,692	745,265
	<b>1,655,993</b>	<b>1,675,253</b>

The movement in the loss allowance for impairment of trade receivables is as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	51,246	50,510
Provision for/(reversal of) loss allowance (note 5, 7)	(13,645)	736
At end of year	<b>37,601</b>	<b>51,246</b>

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 2022, 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 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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) The Group's deposits and other receivables at 31 December 2022 are analysed as follows:

	2022 RMB'000	2021 RMB'000
Up-front payment of construction contracts	37,186	25,119
Interest receivables on temporary advances and construction revenue	5,505	5,505
Long-term compensation receivables to be received within one year (note 20)	3,351	11,002
Toll income receivables	68,801	100,398
Deductible input value-added tax	141,129	82,871
Deposits	4,520	7,495
Interest receivables	4,003	347
Miscellaneous	213,780	143,075
Impairment allowance	478,275 (134,406)	375,812 (97,103)
	343,869	278,709

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

	2022 RMB'000	2021 RMB'000
At beginning of year	97,103	95,264
Provision for loss allowance (note 7)	37,303	1,839
At end of year	134,406	97,103

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.

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 2022 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:

	2022 RMB'000	2021 RMB'000
Fellow subsidiaries under control of Shudao Investment		
Other receivables	74,161	103,193
Prepayments	20,437	7,172
Trade receivables	778	3,917
	95,376	114,282

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets		
Investment in private equity fund	28,777	–
Current assets		
Investments in listed equity	365	417

The investment in private equity fund is mandatorily measured at fair value through profit or loss.

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

### 27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash and bank balances	2,368,334	3,839,436
Time deposits	183,799	–
	2,552,133	3,839,436
Less: Restricted deposits	112	2,366
Cash and cash equivalents	2,552,021	3,837,070

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for periods of six months and three years, 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.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

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

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
RMB	<b>2,552,042</b>	3,839,391
Hong Kong dollars	<b>91</b>	45
	<b>2,552,133</b>	3,839,436

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.

### 28. CONTRACT LIABILITIES

	<b>31 December</b> <b>2022</b> <b>RMB'000</b>	31 December 2021 <i>RMB'000</i>	1 January 2021 <i>RMB'000</i>
Advances received from customers			
Sale of goods	<b>7,496</b>	–	–
Charging services	<b>1,640</b>	–	–
Sale of properties	–	–	1,569,219
	<b>9,136</b>	–	1,569,219

Contract liabilities include advances received to deliver goods and to provide charging services.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 29. TRADE AND OTHER PAYABLES

	Notes	2022 RMB'000	2021 RMB'000
Trade payables	(a)	62,640	34,684
Other payables	(b)	1,541,775	1,725,297
Accruals	(c)	52,210	53,299
Deferred income	(d)	240,562	268,888
		<b>1,897,187</b>	2,082,168
Non-current portion		<b>(211,757)</b>	(240,265)
Portion clarified as current liabilities		<b>1,685,430</b>	1,841,903

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:

	2022 RMB'000	2021 RMB'000
Within 3 months	45,788	12,613
3 to 6 months	595	13,246
6 to 12 months	3,967	338
Over 1 year	12,290	8,487
	<b>62,640</b>	34,684

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	2022 RMB'000	2021 RMB'000
Advances		12,524	39,411
Inter-network toll collection	(i)	38,666	43,547
Payroll and welfare payables		239,295	230,739
Taxes and surcharge payables		29,240	32,066
Progress billing payables	(ii)	720,455	787,163
Retention payables	(iii)	157,993	168,164
Deposits	(iii)	84,578	177,546
Others		259,024	246,661
		<b>1,541,775</b>	1,725,297

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 RMB512,648,000 (2021: RMB498,890,000) 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, RMB125,116,000 (2021: RMB134,382,000) relating to the construction of the Chengren Expressway BOT Project, Suiguang-Suixi Expressways BOT Project and the Chengle Expressway Expansion Construction Project.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 29. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

- (c) The balance as at 31 December 2022 consisted of interest accrued in respect of medium term notes and interest-bearing bank borrowings of RMB30,390,000 (2021: RMB39,993,000) and RMB21,820,000 (2021: RMB13,306,000), respectively.
- (d) Deferred income as at the end of the reporting period mainly include the following items:

	2022 RMB'000	2021 RMB'000
Leasing income received in advance	7,724	8,827
Management fee received in advance for operation of a bridge	38,260	46,314
Various deferred compensation income received in advance	19,433	23,083
Subsidy funds for demolishing the provincial boundary toll station	70,130	83,841
Government grants for Suiguang-Suixi Expressways BOT Project	93,770	95,334
Longquan gas station demolition subsidy	6,786	6,786
Miscellaneous	4,459	4,703
	<b>240,562</b>	<b>268,888</b>

Deferred income of the Group to be released to profit or loss after twelve months from 31 December 2022 with a total amount of RMB211,757,000 (2021: RMB240,265,000) 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:

	2022 RMB'000	2021 RMB'000
Fellow subsidiaries under control of Shudao Investment		
Advances	1,137	16,379
Trade payables	–	1,147
Other payables	548,461	569,446
	<b>549,598</b>	<b>586,972</b>

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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2022 RMB'000	2021 RMB'000
Bank loans:			
Secured	(a)	15,160,460	15,301,870
Unsecured		2,710,950	3,170,000
Medium term notes	(b)	1,290,000	1,290,000
Other borrowings, secured		–	72,653
Lease liabilities (note 14(b))		134,052	147,790
		<b>19,295,462</b>	19,982,313
Analysed into:			
Bank loans repayable:			
Within one year or on demand		1,865,449	1,369,575
In the second year		1,606,199	3,000,845
In the third to fifth years, inclusive		3,546,046	1,735,914
Beyond five years		10,853,716	12,365,536
		<b>17,871,410</b>	18,471,870
Medium term notes repayable:			
Within one year		–	–
In the second year		290,000	–
In the third to fifth years, inclusive		1,000,000	1,290,000
		<b>1,290,000</b>	1,290,000
Other borrowings and lease liabilities:			
Within one year		25,023	99,598
In the second year		23,935	32,051
In the third to fifth years, inclusive		43,283	36,728
Beyond five years		41,811	52,066
		<b>134,052</b>	220,443
Total bank and other borrowings and lease liabilities		<b>19,295,462</b>	19,982,313
Portion classified as current liabilities		<b>(1,890,472)</b>	(1,469,173)
Non-current portion		<b>17,404,990</b>	18,513,140

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



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 30. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) Bank loans were secured by:

	Note	2022 RMB'000	2021 RMB'000
		(Bank loan amount)	
Secured by concession rights of:	13(a)		
Chengle Expressway		4,825,230	4,385,230
Chengren Expressway		1,555,004	1,828,353
Tianqiong Expressway		1,970,226	667,000
Suiguang Expressway and Suixi Expressway		6,810,000	7,210,000
		15,160,460	14,090,583
Secured by loans to customers		–	1,211,287
		15,160,460	15,301,870

The bank loans bear interest at rates ranging from 3.15% to 4.90% (2021: 2.23% to 6.40%) per annum.

(b) As at 31 December 2022, the Company had two (2021: two) tranches of outstanding medium term notes totalling RMB1,290,000,000 (2021: 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 ranged from 3.49% to 6.30% (2021: 3.49% to 6.30%) per annum. These medium term notes were issued at a par value of RMB100 per unit, and will be repaid between July 2024 and May 2026, respectively, with an original maturity period of ten years and five years, respectively.

### 31. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2021, the Group's derivative financial instruments of RMB2,548,000 represented foreign exchange swap held by the Group's former subsidiary, Chengyu Financial Lease, of which was disposed of by the Group during the year (note 35).

### 32. ISSUED CAPITAL

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
A Shares of 2,162,740,000 (2021: 2,162,740,000) of RMB1.00 each	2,162,740	2,162,740
H Shares of 895,320,000 (2021: 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.

### 33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

#### (a) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries, joint ventures and associates, the Company, its subsidiaries, joint ventures and associates are required to allocate 10% of their profits after tax, as determined in accordance with Generally Accepted Accounting Principles of the People's Republic of China ("PRC GAAP"), 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.

#### (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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 34. BUSINESS COMBINATION

On 25 January 2022, the Group acquired additional 50% equity interest in Chengyu Private Equity Fund at a consideration of RMB10,001,000, of which RMB4,001,000 was paid in 2022 and RMB6,000,000 was paid in 2021, respectively. Upon the completion of the acquisition, the Group's equity interest in Chengyu Private Equity Fund increased to 100% and Chengyu Private Equity Fund became a subsidiary of the Company from a joint venture as previously accounted.

The following table summarises the consideration paid for the acquisition and the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date:

	<b>Total RMB'000</b>
Property, plant and equipment ( <i>note 12</i> )	<b>50</b>
Trade and other receivables	<b>4,398</b>
Cash and cash equivalents	<b>447</b>
Financial assets at fair value through profit or loss	<b>8,187</b>
Other payables and accruals	<b>(663)</b>
<b>Total identifiable net assets at fair value</b>	<b>12,419</b>
<b>Goodwill on acquisition</b>	<b>7,583</b>
Total purchase price is comprised of:	
Purchase consideration satisfied by Cash	<b>10,001</b>
Fair value of previously held equity interest in a joint venture	<b>10,001</b>
	<b>20,002</b>

RMB4,001,000 was paid in 2022 and RMB6,000,000 was paid in 2021.

An analysis of the cash flows in respect of the acquisition of the above subsidiaries is as follows:

	<b>RMB'000</b>
Cash and cash equivalents acquired	<b>447</b>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<b>3,554</b>

Had the combination taken place at the beginning of the year, the contribution from Chengyu Private Equity Fund to the consolidated revenue and profit for the year ended 31 December 2022 were minimal.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 35. DISPOSAL OF SUBSIDIARIES

On 31 October 2022 (the "Disposal Date"), the Group completed disposal of the 44.95% equity interests in Chengyu Financial Lease to Shudao Capital, at a cash consideration of RMB296,670,000, which was settled in September 2022. Upon the completion of the disposal, the Group's equity interest in Chengyu Financial Lease decreased to 25.05% and Chengyu Financial Lease became an associate of the Group from a subsidiary as previously accounted. Chengyu Financial Lease was primarily engaged in finance lease.

	Notes	2022 RMB'000	2021 RMB'000
<b>Net assets disposed of:</b>			
Property, plant and equipment	12	1,006	21,010
Right-of-use assets	14	2,431	–
Deferred tax assets	22	13,090	–
Properties under development		–	1,804,395
Completed properties held for sale		–	510,360
Interests in land held for property development		–	156,303
Contract costs		–	24,065
Loans to customers		2,566,633	–
Restricted deposits		–	27,352
Cash and cash equivalents		198,259	59,563
Trade and other receivables		3,142	73,503
Derivative financial instruments		901	–
Interest-bearing bank and other borrowings		(2,028,448)	(1,490,325)
Tax payable		(2,965)	–
Trade and other payables		(78,194)	(642,730)
Dividend payables		(33,464)	–
Contract liabilities		–	(974,574)
Non-controlling interests		(191,051)	34,134
		451,340	(396,944)
25.05% equity interests retained	17	(165,330)	–
Gain on disposal of subsidiaries	5	10,660	899,409
		296,670	502,465
Satisfied by:			
Cash		296,670	502,465

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2022 RMB'000	2021 RMB'000
Cash consideration	296,670	502,465
Cash and bank balances disposed of	(198,259)	(59,563)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	98,411	442,902



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 RMB20,832,000 (2021: RMB11,879,000) and RMB20,832,000 (2021: RMB11,879,000), respectively, in respect of lease arrangements for plant and equipment.

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

##### 2022

	Bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Dividends payable <i>RMB'000</i>
At 1 January 2022	19,834,523	147,790	53,299	–
Changes from financing cash flows	1,342,256	(29,878)	(738,730)	(395,438)
New leases ( <i>note 14(b)</i> )	–	20,832	–	–
Termination leases ( <i>note 14(b)</i> )	–	(2,843)	–	–
Interest expense	1,700	6,716	417,187	–
Interest paid classified as operating cash flows	–	(6,716)	–	–
Interest capitalised ( <i>note 6</i> )	–	–	329,568	–
Other non-cash movement	–	–	–	–
Disposal of a subsidiary ( <i>note 35</i> )	(2,026,599)	(1,849)	(9,114)	(6,201)
Foreign exchange movement	9,530	–	–	–
Dividends declared	–	–	–	401,639
At 31 December 2022	19,161,410	134,052	52,210	–

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

#### (b) Changes in liabilities arising from financing activities (continued)

2021

	Bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Dividends payable <i>RMB'000</i>
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	–	11,879	–	–
Interest expense	5,917	7,439	570,209	–
Interest paid classified as operating cash flows	–	(7,439)	–	–
Interest capitalised ( <i>note 6</i> )	–	–	209,432	–
Other non-cash movement	1,196,085	–	(61,220)	–
Disposal of a subsidiary	(1,490,325)	–	(165,802)	–
Foreign exchange movement	(1,598)	–	–	–
Dividends declared	–	–	–	276,265
At 31 December 2021	19,834,523	147,790	53,299	–

#### (c) Total cash outflow for leases

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within financing activities	29,878	24,494

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 37. COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Construction	556,891	886,352
Service concession arrangements	12,556,236	8,967,480
	<b>13,113,127</b>	9,853,832

## 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 control of Shudao Investment, 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 RMB12,629,000 (2021: RMB14,175,000). The fee was determined based on a service charge of 0.4% of toll income or RMB35,000,000 per annum, whichever is lower.
- (b) During the year, there was no office building of the Company leased out to Shudao Investment (2021: a certain part of office buildings of the Company was leased out to Shudao Investment of RMB1,221,000).
- (c) During the year, fellow subsidiaries under control of Shudao Investment were engaged by the Group to provide construction and maintenance works. The prices of such works are usually determined through public tender and bidding process. Construction and maintenance costs recognised by the Group for such services aggregating to RMB1,325,508,000 (2021: RMB1,441,828,000).
- (d) During the year, a fellow subsidiary under control of Shudao Investment was engaged by the Group to provide property management services. Property management services costs recognised by the Group for such services during the year aggregating to RMB11,547,000 (2021: RMB8,816,000). The Directors consider that the amount paid for the property management services from a related company was determined based on prices similarly available to the related party's third-party customers.
- (e) During the year, there was no factoring service provided by the Group to Chengdu Sichuan Transportation Xinrong Construction Engineering Company Limited, an indirect subsidiary of Shudao Investment (2021: RMB648,000).

## 38. RELATED PARTY TRANSACTIONS (CONTINUED)

- (f) During the year, Road and Bridge provided construction service for Tianqiong Expressway BOT Project. Construction cost recognised by the Group for such services during the year amounted to approximately RMB1,173,378,000 (2021: RMB29,358,000). The Directors consider 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.
- (g) During the year, the Group purchased refined oil products aggregating to approximately RMB985,902,000 (2021: RMB946,978,000) from PetroChina Company Limited Sichuan Sales Branch, a non-controlling shareholder of a subsidiary within the Group. The prices were determined by adding transportation fee to the selling price of the refined oil by reference to market price.
- (h) During the year, the Group purchased refined oil products aggregating to approximately RMB159,218,000 (2021: RMB314,799,000) 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.
- (i) During the year, the Group provided finance lease to Sichuan Xugu Expressway Development Co., Ltd., a fellow subsidiary under control of Shudao Investment. The revenue recognised by the Group for such finance lease during the year amounted to RMB2,994,000 (2021: RMB7,958,000). Interest rate of the finance lease is determined through risk assessment applicable to similar customers of the Group.
- (j) 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 RMB6,280,000 (2021: RMB13,425,000). Interest rate of the finance lease is determined through risk assessment applicable to similar customers of the Group.
- (k) During the year, the Group purchased property, plant and equipment from Sichuan Communications Investment New Energy Co., Ltd, a fellow subsidiary under control of Shudao Investment, Sichuan Communications Investment New Energy Co., Ltd, at an aggregate amount of RMB79,642,000 (2021: nil), based on the market price.
- (l) During the year, the Group disposed of its 44.95% equity interests in Chengyu Finance lease to Shudao Capital, a fellow subsidiary under control of Shudao Investment, at a consideration of RMB296,670,000. The Directors considered the consideration of disposal was determined through negotiation on an arm's length basis.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 38. RELATED PARTY TRANSACTIONS (CONTINUED)

(m) During the year, the Group disposed of its 5% equity interests in TCC to Road and Bridge, a fellow subsidiary under control of Shudao Investment, at a consideration of RMB369,195,000. The Directors considered the consideration of disposal was determined through negotiation on an arm's length basis.

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

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
Fees	<b>320</b>	320
Other emoluments:		
Salaries, allowances and benefits in kind	<b>5,362</b>	5,189
Pension scheme contributions	<b>273</b>	252
Supplementary pension scheme contributions	<b>330</b>	276
	<b>5,965</b>	5,717
Total compensation paid to key management personnel	<b>6,285</b>	6,037

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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:

**2022**

#### Financial assets

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Equity investments designated at fair value through other comprehensive income <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Long-term compensation receivable	–	–	3,351	3,351
Equity investments designated at fair value through other comprehensive income	–	93,233	–	93,233
Restricted deposits	–	–	112	112
Trade and bills receivables	–	–	1,876,425	1,876,425
Financial assets included in other receivables	–	–	340,518	340,518
Financial assets at fair value through profit or loss	29,142	–	–	29,142
Cash and cash equivalents	–	–	2,552,021	2,552,021
	<b>29,142</b>	<b>93,233</b>	<b>4,772,427</b>	<b>4,894,802</b>

#### Financial liabilities

	Financial liabilities at amortised cost <i>RMB'000</i>
Interest-bearing bank and other borrowings	19,295,462
Trade payables	62,640
Financial liabilities included in other payables and accruals	1,312,926
	<b>20,671,028</b>

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2021

### Financial assets

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Equity investments designated at fair value through other comprehensive income <i>RMB'000</i>	Financial assets at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
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 prepayments, other receivables and other assets	–	–	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 <i>RMB'000</i>	Financial liabilities at amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Interest-bearing bank and other borrowings	–	19,982,313	19,982,313
Trade payables	–	34,684	34,684
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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>				
Restricted deposits	112	2,366	112	2,366
Long term compensation receivables	–	3,351	–	3,351
Equity investments designated at fair value through other comprehensive income	93,233	449,055	93,233	449,055
Financial assets at fair value through profit or loss	29,142	417	29,142	417
Loans to customers, non-current portion	–	1,419,757	–	1,419,757
	<b>122,487</b>	<b>1,874,946</b>	<b>122,487</b>	<b>1,874,946</b>
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings (other than lease liabilities)				
– Bank loans	17,871,410	18,471,870	16,310,110	17,217,602
– Medium term notes	1,290,000	1,290,000	1,214,967	1,216,641
– Other borrowings	–	72,653	–	72,598
Derivative financial instruments	–	2,548	–	2,548
	<b>19,161,410</b>	<b>19,837,071</b>	<b>17,525,077</b>	<b>18,509,389</b>

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in other receivables and 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.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 interest-bearing bank and other borrowings and medium term notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Group's or the subsidiaries' own non-performance risk where appropriate.

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

The fair value of unlisted equity investment at fair value through profit or loss was based on the net asset of the private equity fund as there was no investment has been made since the fund established in September this year.

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 (2021: nil).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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 2022 and 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity investments	Valuation multiple	Average P/E multiple of peers	P/E: 8.69–9.31 (2021: P/E: 7.25–9.27)	10% (2021: 10%) increase/decrease in multiple would result in increase/decrease in fair value by RMB1,045,000 (2021: RMB35,953,000)
		Discount for lack of marketability	20%-30% (2021: 20%-30%)	10% (2021: 10%) increase/decrease in discount would result in decrease/increase in fair value by RMB289,000 (2021: RMB15,225,000)

#### 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			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2022				
Equity investments designated at fair value through other comprehensive income				
– Listed equity investments	82,783	–	–	82,783
– Unlisted equity investments	–	–	10,450	10,450
Financial assets at fair value through profit or loss				
– Listed equity investments	365	–	–	365
– Unlisted investments	–	–	28,777	28,777
	83,148	–	39,227	122,375

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 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			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2021				
Equity investments designated 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

**Liabilities measured at fair value:**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2022				
Derivative financial instruments	–	–	–	–

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2021				
Derivative financial instruments	–	2,548	–	2,548

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 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			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2022</b>				
Restricted deposits	–	112	–	112

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2021</b>				
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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

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

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2022</b>				
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	–	–	17,525,077	17,525,077
	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>As at 31 December 2021</b>				
Financial liabilities:				
Interest-bearing bank and other borrowings (other than lease liabilities)	–	–	18,506,841	18,506,841



## 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 30. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long-term receivables and loans which are subject to floating interest 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 2022 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.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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:

	2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	-	7,941	17,082	67,218	41,811	134,052
Interest-bearing bank and other borrowings (excluding lease liabilities)	-	483,259	2,099,481	8,627,324	15,856,391	27,066,455
Trade and other payables	570,577	130,366	622,413	-	-	1,323,356
	570,577	621,566	2,738,976	8,694,542	15,898,202	28,523,863

	2021					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 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

### Credit risk

The long-term compensation receivables from XDG do not expose the Group to any additional credit risk as the credit risk associated has been factored in the imputed interest rate used for discounting the value of the compensation receivables in future to their carrying amounts. 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

### 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Credit risk (Continued)

##### *Maximum exposure and year-end staging*

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

#### As at 31 December 2022

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables	1,793,072	54,155	–	66,799	1,914,026
Financial assets included in prepayments, other receivables and other assets					
– Normal*	340,518	–	–	–	340,518
– Doubtful*	–	–	134,406	–	134,406
Restricted deposits					
– Not yet past due	112	–	–	–	112
Cash and cash equivalents					
– Not yet past due	2,552,021	–	–	–	2,552,021
	4,685,723	54,155	134,406	66,799	4,941,083

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

#### Maximum exposure and year-end staging (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 prepayments, other receivables and other assets					
– 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

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

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

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 2022 was 53.28% (2021: 54.61%).

### 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 2022, the Group did not have any material contingent liabilities.

## 43. EVENTS AFTER THE REPORTING PERIOD

On 17 February 2023, the Group entered into an equity transfer agreement with Sichuan Shudao Expressway Group Co., Ltd. ("Shudao Express"), Sichuan Road & Bridge (Group) Corporation Ltd. ("SRB") and Shudao Investment, pursuant to which, the Company conditionally agree to acquire 81% and 19% equity interests in Sichuan Rongcheng Second Ring Expressway Development Co., Ltd. ("Rongcheng Second Ring") held by Shudao Express and SRB, respectively, at a consideration of RMB5,903 million. Rongcheng Second Ring is engaged in the management and operation of the Second Ring (Western) Expressway within Sichuan Province. The proposed acquisition was approved by the Company's independent shareholders by way of poll at the extraordinary general meeting held on 30 March 2023. Particulars of the proposed acquisition have been included in the Company's circular dated 10 March 2023.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 44. 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:

	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	359,450	386,983
Right-of-use assets	182,244	210,046
Service concession arrangements	8,168,327	8,696,019
Investments in subsidiaries	8,335,211	8,405,867
Investments in joint ventures	125,972	132,438
Investments in associates	38,438	38,438
Equity investments designated at fair value through other comprehensive income	34,321	384,314
Contract assets	–	10,000
Restricted deposits	76	28
Deferred tax assets	31,660	–
Total non-current assets	17,275,699	18,264,133
<b>CURRENT ASSETS</b>		
Inventories	197	197
Trade and other receivables	69,779	84,327
Due from subsidiaries	7,138,187	5,173,462
Cash and cash equivalents	2,163,728	3,438,094
Total current assets	9,371,891	8,696,080

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 RMB'000	2021 RMB'000
<b>CURRENT LIABILITIES</b>		
Tax payable	81,780	65,276
Other payables and accruals	585,143	675,812
Contract liabilities	3,839	18,807
Interest-bearing bank and other borrowings	1,464,305	343,276
Due to subsidiaries	1,956,438	2,159,680
Total current liabilities	4,091,505	3,262,851
<b>NET CURRENT ASSETS</b>	<b>5,280,386</b>	5,433,229
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>22,556,085</b>	23,697,362
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	4,140,088	5,998,687
Deferred tax liabilities	–	10,648
Deferred income	90,447	114,811
Total non-current liabilities	4,230,535	6,124,146
Net assets	18,325,550	17,573,216
<b>EQUITY</b>		
Issued capital	3,058,060	3,058,060
Reserves	15,267,490	14,515,156
Total equity	18,325,550	17,573,216

Gan Yongyi  
Director

Li Wenhui  
Director

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2022

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Share premium account RMB'000	Surplus reserve RMB'000	Retained profits RMB'000	Fair value reserve of equity investments designated at fair value through other comprehensive income RMB'000	Difference arising from the acquisition of non- controlling interests RMB'000	Total RMB'000
At 1 January 2021	2,654,601	5,357,972	5,372,096	(4,816)	(244,529)	13,135,324
Total comprehensive income for the year	–	–	1,410,819	213,658	–	1,624,477
Transfer to/(from) reserve	–	565,876	(565,876)	–	–	–
Disposal of equity investments designated at fair value through other comprehensive income	–	–	21,739	(21,739)	–	–
Final 2020 dividend proposed	–	–	(244,645)	–	–	(244,645)
At 31 December 2021 and 1 January 2022	2,654,601	5,923,848	5,994,133	187,103	(244,529)	14,515,156
Profit for the year	–	–	1,072,395	–	–	1,072,395
Other comprehensive income for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	16,326	–	16,326
Total comprehensive income for the year	–	–	1,072,395	16,326	–	1,088,721
Transfer to/(from) reserve	–	446,795	(446,795)	–	–	–
Disposal of equity investments designated at fair value through other comprehensive income	–	–	217,073	(217,073)	–	–
Final 2021 dividend proposed	–	–	(336,387)	–	–	(336,387)
At 31 December 2022	2,654,601	6,370,643	6,500,419	(13,644)	(244,529)	15,267,490

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.

## 45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 30 March 2023.