# 四川成渝高速公路股份有限公司
# Sichuan Expressway Company Limited*

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

(Stock Code: 00107)

## 2018 ANNUAL RESULTS ANNOUNCEMENT

**HIGHLIGHTS**

- Net revenue decreased by approximately 23.05 % to approximately RMB6,820,997,000
- Profit attributable to owners of the Company decreased by approximately 5% to approximately RMB849,638,000
- Earnings per share decreased by approximately 4.79 % to approximately RMB0.278
- Proposed payment of 2018 final cash dividend of RMB0.10 (tax inclusive) (2017: RMB0.10 (tax inclusive)) per share

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018, prepared in conformity with the accounting principles generally accepted in Hong Kong as stated in details in note 2.1 to the consolidated financial statements, together with comparative figures for last year as follows (the data herein are presented in RMB except where otherwise indicated).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2018*

| | Notes | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| **REVENUE** | 3, 4 | **6,820,997** | 8,864,370 |
| Cost of sales | | **(4,748,521)** | (6,751,804) |
| Gross profit | | **2,072,476** | 2,112,566 |
| Other income and gains | 4 | **239,154** | 262,845 |
| Administrative expenses | | **(297,148)** | (293,125) |
| Other expenses | | **(85,675)** | (17,392) |
| Finance costs | 5 | **(777,174)** | (801,146) |
| Share of profits and losses of: | | | |
| Joint ventures | | **23,630** | 9,500 |
| Associates | | **30,649** | 37,279 |
| **PROFIT BEFORE TAX** | 6 | **1,205,912** | 1,310,527 |
| Income tax expense | 7 | **(304,086)** | (329,373) |
| **PROFIT FOR THE YEAR** | | **901,826** | 981,154 |
| **Attributable to:** | | | |
| Owners of the Company | | **849,638** | 894,376 |
| Non-controlling interests | | **52,188** | 86,778 |
| | | **901,826** | 981,154 |

| | Notes | **2018** *RMB'000* | 2017 *RMB'000* |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | |
| Available-for-sale investments: | | | |
| Changes in fair value | | **–** | 2,337 |
| Income tax effect | | **–** | (434) |
| | | **–** | 1,903 |
| Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods: | | | |
| Equity investments at fair value through other comprehensive income: | | | |
| Changes in fair value | | **(15,109)** | – |
| Income tax effect | | **2,474** | – |
| | | **(12,635)** | – |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX** | | **(12,635)** | 1,903 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **889,191** | 983,057 |
| **Attributable to:** | | | |
| Owners of the Company | | **837,030** | 896,279 |
| Non-controlling interests | | **52,161** | 86,778 |
| | | **889,191** | 983,057 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| -Basic and diluted | 8 | **RMB0.278** | RMB0.292 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2018*

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **561,835** | 551,309 |
| Service concession arrangements | 9 | **24,810,236** | 24,857,661 |
| Prepaid land lease payments | | **297,979** | 330,522 |
| Other intangible assets | | **–** | 333 |
| Investments in joint ventures | | **765,156** | 231,526 |
| Investments in associates | | **234,845** | 218,841 |
| Available-for-sale investments | | **–** | 183,593 |
| Equity investments at fair value through other comprehensive income | | **324,137** | – |
| Loan to customers | | **702,642** | 605,193 |
| Long term compensation receivables | | **32,488** | 39,930 |
| Payments in advance | | **2,000** | 2,000 |
| Contract assets | | **329,270** | – |
| Contract costs | | **14,912** | – |
| Deferred tax assets | | **1,726** | 7,251 |
| Interests in land held for property development | | **165,148** | 165,148 |
| Pledged deposits | | **15,000** | 1,258 |
| Total non-current assets | | **28,257,374** | 27,194,565 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **1,620,428** | 1,468,570 |
| Completed properties held for sale | | **176,002** | 334,999 |
| Inventories | | **25,763** | 36,887 |
| Loan to customers | | **627,152** | 416,624 |
| Trade and other receivables | 10 | **1,546,562** | 2,014,201 |
| Contract assets | | **123,099** | – |
| Pledged deposits | | **1,258** | 80,636 |
| Cash and cash equivalents | | **3,657,420** | 2,719,253 |
| Total current assets | | **7,777,684** | 7,071,170 |

| | Notes | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Tax payable | | **65,919** | 75,131 |
| Trade and other payables | 11 | **2,992,460** | 2,925,740 |
| Due to customers for contract works | | **–** | 35,969 |
| Contract liabilities | | **29,398** | – |
| Dividend payables | | **14,884** | 4,399 |
| Interest-bearing bank and other loans | 12 | **2,174,520** | 2,560,050 |
| Total current liabilities | | **5,277,181** | 5,601,289 |
| **NET CURRENT ASSETS** | | **2,500,503** | 1,469,881 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **30,757,877** | 28,664,446 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other loans | 12 | **15,382,673** | 14,285,597 |
| Deferred tax liabilities | | **6,175** | 6,036 |
| Contract liabilities | | **374,467** | – |
| Deferred income | 11 | **110,163** | 88,100 |
| Total non-current liabilities | | **15,873,478** | 14,379,733 |
| Net assets | | **14,884,399** | 14,284,713 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | 13 | **3,058,060** | 3,058,060 |
| Reserves | 14 | **11,433,546** | 10,836,014 |
| | | **14,491,606** | 13,894,074 |
| **Non-controlling interests** | | **392,793** | 390,639 |
| Total equity | | **14,884,399** | 14,284,713 |

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

In the opinion of the Directors, Sichuan Transportation Investment Group Corporation Limited ("**STIG**") is the parent and the ultimate holding company of the Company, which is established in the PRC.

## 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.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

**HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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

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

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

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

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

Consolidated statement of financial position as at 31 December 2018:

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

**(i) CONSTRUCTION SERVICES**

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

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

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

**(ii) CONSIDERATION RECEIVED FROM CUSTOMERS IN ADVANCE**

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

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

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

## HKFRS 9 Financial Instruments

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

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

***Classification and measurement***

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

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

| | *Notes* | **HKAS 39 measurement Category** | **HKAS 39 measurement Amount** | **Re-classification** | **ECL** | **Others** | **HKFRS 9 measurement Amount** | **HKFRS 9 measurement Category** |
|---|---|---|---|---|---|---|---|---|
| | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | |
| Financial assets | | | | | | | | |
| Trade receivables | | L&R[1] | 1,611,678 | – | – | – | 1,611,678 | AC[2] |
| Financial assets included in prepayments, deposits and other receivables | (i) | L&R | 395,991 | – | – | – | 395,991 | AC |
| Loan to customers | | L&R | 1,021,817 | – | – | – | 1,021,817 | AC |
| Equity investments designated at fair value through other comprehensive income | (ii) | N/A | – | 183,593 | – | 80,653 | 264,246 | FVOCI[4] (equity) |
| From: Available-for-sale investments | (ii) | | | 183,593 | – | – | | |
| Available-for-sale investments | (ii) | AFS[3] | 183,593 | (183,593) | – | – | – | N/A |
| To: Equity investments designated at fair value through other comprehensive income | (ii) | | | (183,593) | – | – | | |
| Pledged deposits | | L&R | 81,894 | – | – | – | 81,894 | AC |
| Cash and cash equivalents | | L&R | 2,719,253 | – | – | – | 2,719,253 | AC |
| | | | 6,014,226 | – | – | 80,653 | 6,094,879 | |

| | Notes | HKAS 39 measurement Category | HKAS 39 measurement Amount | Re-classification | ECL | Others | HKFRS 9 measurement Amount | HKFRS 9 measurement Category |
|---|---|---|---|---|---|---|---|---|
| | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | |
| Other assets | | | | | | | | |
| Contract assets | (i) | | 789,195 | – | – | – | 789,195 | AC |
| Deferred tax assets | | | 7,251 | – | – | – | 7,251 | |
| Total assets | | | 34,265,735 | – | – | 80,653 | 34,346,388 | |
| Financial liabilities | | | | | | | | |
| Trade payables | | AC | 165,441 | – | – | – | 165,441 | AC |
| Other payables and accruals | | AC | 2,393,618 | – | – | – | 2,393,618 | AC |
| Dividend payables | | AC | 4,399 | – | – | – | 4,399 | AC |
| Interest-bearing bank and other loans | | AC | 16,845,647 | – | – | – | 16,845,647 | AC |
| | | | 19,409,105 | – | – | – | 19,409,105 | |
| Other liabilities | | | | | | | | |
| Deferred tax liabilities | | | 6,036 | – | – | 12,098 | 18,134 | |
| Total liabilities | | | 19,981,022 | – | – | 12,098 | 19,993,120 | |

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

*Notes:*

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

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

### *Impairment*

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 10 to the financial statements.

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

### *Impact on reserves*

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

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

## 3. OPERATING SEGMENT INFORMATION

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

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

(b) the construction contracts segment comprises the provision of construction and upgrade services under the service concession arrangements and construction contracts;

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

(d) the property development segment comprises the investment and development of properties located in Mainland China; and

(e) the "others" segment mainly comprises advertising, the rental of properties along expressways, and finance lease operation.

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

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

Segment liabilities exclude tax payable, dividend payables and deferred tax liabilities as these liabilities are managed on a group basis.

### Year ended 31 December 2018

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

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

## Year ended 31 December 2017

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

**Entity-wide disclosures**

***Geographical information***

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

***Information about major customers***

During the year ended 31 December 2018, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

## Revenue from contracts with customers

### *(i) Disaggregated revenue information*

**For the year ended 31 December 2018**

**Segments**

| | Toll operation *RMB'000* | Construction contract *RMB'000* | Sale of products *RMB'000* | Property development *RMB'000* | Others *RMB'000* | Total *RMB '000* |
|---|---|---|---|---|---|---|
| **Type of goods or services** | | | | | | |
| Toll income | 3,567,976 | – | – | – | – | 3,567,976 |
| Construction contracts | – | 1,064,118 | – | – | – | 1,064,118 |
| Sales of products | – | – | 1,907,383 | – | – | 1,907,383 |
| Property development | – | – | – | 105,743 | – | 105,743 |
| Others | – | – | – | – | 60,638 | 60,638 |
| Total revenue from contract with customers | 3,567,976 | 1,064,118 | 1,907,383 | 105,743 | 60,638 | 6,705,858 |

**Geographical markets**

All revenues under HKFRS15 are generated in Mainland China.

| | Toll operation *RMB'000* | Construction contract *RMB'000* | Sale of products *RMB'000* | Property development *RMB'000* | Others *RMB'000* | Total *RMB '000* |
|---|---|---|---|---|---|---|
| **Timing of revenue recognition** | | | | | | |
| Goods transferred at a point in time | 3,567,976 | – | 1,907,383 | 105,743 | 60,638 | 5,641,740 |
| Services transferred over time | – | 1,064,118 | – | – | – | 1,064,118 |
| Total revenue from contract with customers | 3,567,976 | 1,064,118 | 1,907,383 | 105,743 | 60,638 | 6,705,858 |

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

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

### *(ii) Performance obligations*

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

*Toll income*

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

*Sale of products*

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

*Construction services*

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

*Property development*

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

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

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

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

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

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

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank and other loans | **720,751** | 666,998 |
| Interest on medium term notes | **105,779** | 161,638 |
| | **826,530** | 828,636 |
| Less: | | |
| Interest capitalised in respect of: | | |
| – Service concession arrangements *(note 9(c))* | **(21,677)** | (5,540) |
| – Properties under development | **(3,739)** | – |
| Interest recorded under cost of sales and other operating costs | **(23,940)** | (21,950) |
| | **777,174** | 801,146 |
| Interest rate of borrowing costs capitalised | **4.75%** | 3.92%–4.35% |

## 6. PROFIT BEFORE TAX

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

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

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

## 7. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the two years ended 31 December 2018 and 2017.

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

Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the "**Catalogue**"), the income of which accounts for more than 70% of the total income of such enterprises. The Catalogue shall be issued separately. The Catalogue was approved by the State Council, and has been implemented since 1 October 2014.

For entities within the scope of the transportation industry, i.e., the Company, Chengle Company, Chengbei Company and Chengdu Airport Expressway Company Limited ("**Chengdu Airport Expressway**"), an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012 and have not changed their business operations, income tax of these entities for the year ended 31 December 2018 continued to be calculated at a tax rate of 15%.

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

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

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 3,058,060,000 (2017: 3,058,060,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

## 9. SERVICE CONCESSION ARRANGEMENTS

(a) At 31 December 2018, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group(note 12(a)):

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

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

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

(c) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB21,677,000 (2017: RMB5,540,000) (note 5).

## 10. TRADE AND OTHER RECEIVABLES

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

*Notes:*

(a) The Group's trade receivables which arose from construction contracts are settled in accordance with the terms specified in the contracts governing the relevant construction works. The Group does not have a standardised and universal credit period granted to its construction contract customers. The credit period of an individual construction contract customer is considered on a case-by-case basis and is set out in the respective construction contracts, as appropriate.

According to the contracts governing the relevant construction works, trade receivables of RMB1,175,833,000 as at 31 December 2018 (2017: RMB1,375,622,000) were to be settled by instalments within two to three years upon completion of the relevant construction works and bore interest at rates ranging from 4.75% to 14.98% (2017: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

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

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

Impairment under HKFRS 9 for the year ended 31 December 2018

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

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

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

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

Receivables that were neither past due nor impaired related to government agencies and a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have good payment records with the Group. Based on past experience, in the opinion of the directors, no impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

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

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

As stipulated in the contracts entered into between the Group and the respective government agencies, other than the provisional of construction works under the "Build-Transfer" mode (collectively referred as "**BT Projects**"), the Group is required to provide temporary advances to the government agencies for the resettlement of residents and removal of obstacles performed by the relevant government agencies. The advance bears interest at a rate of 14.98% per annum (2017: 14.98%).

## 11. TRADE AND OTHER PAYABLES

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

*Notes:*

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

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

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

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

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

## 12. INTEREST-BEARING BANK AND OTHER LOANS

| | | 2018 | 2017 |
|---|---|---|---|
| | *Notes* | *RMB'000* | *RMB'000* |
| Bank loans: | | | |
| Secured and guaranteed | (a) | **–** | 1,106,400 |
| Secured | (a) | **11,378,693** | 11,350,747 |
| Unsecured | | **3,540,000** | 1,150,000 |
| Medium term notes | (b) | **2,500,000** | 3,100,000 |
| Other loans, unsecured | (c) | **138,500** | 138,500 |
| | | **17,557,193** | 16,845,647 |

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

(a) Bank loans were secured and guaranteed by:

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

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

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

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

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

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

## 13. ISSUED CAPITAL

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Issued and fully paid: | | |
| A Shares of 2,162,740,000 (2017: 2,162,740,000) of RMB1.00 each | **2,162,740** | 2,162,740 |
| H Shares of 895,320,000 (2017: 895,320,000) of RMB1.00 each | **895,320** | 895,320 |
| | **3,058,060** | 3,058,060 |

The H Shares have been issued and listed on the main board of the Hong Kong Stock Exchange since October 1997 and the A Shares have been listed on the SSE since July 2009.

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

## 14. RESERVES

In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries, joint ventures and associates, the Company, its subsidiaries, joint ventures and associates are required to allocate 10% of their profits after tax, as determined in accordance with Generally Accepted Accounting Principles of the People's Republic of China ("**PRC GAAP**") applicable to the Company, its subsidiaries and associates, to the statutory surplus reserve (the "**SSR**") until this reserve reaches 50% of the registered capital of the Company, its subsidiaries and associates. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, part of the SSR may be converted to increase the share capital of the Company, its subsidiaries and associates, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

## 15. DIVIDENDS

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

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

## RESULTS AND DIVIDENDS

For the year of 2018, the net revenue of the Group amounted to approximately RMB6,820,997,000, representing a decrease of approximately 23.05% as compared with last year; the profit attributable to owners of the Company amounted to approximately RMB849,638,000, representing a decrease of approximately 5% as compared with last year; and basic earnings per Share were approximately RMB0.278 (2017:approximately RMB0.292).

As at 31 December 2018, the Group's total assets and net assets were approximately RMB36,035,058,000 and RMB14,884,399,000, respectively.

Pursuant to the Articles of Association of the Company, if the Company distributes cash dividend, the Company shall distribute cash dividend in an amount not less than 30% of the profit available for distribution to the Shareholders recognized by the Company for the current period (the lower of the profit of the Company under the generally accepted accounting standards below). The Board has recommended a final cash dividend for the year 2018 of RMB0.1 per ordinary share (tax inclusive), aggregating to approximately RMB305,806,000, representing 49.87% of the profit available for distribution to the Shareholders recognized by the Company for the Year in accordance with the PRC Accounting Standards, and representing 36.01% of the profit attributable to the owners of the Company (calculated in accordance with the PRC Accounting Standards) in the consolidated financial statements. The proposed dividend is subject to approval at the forthcoming 2018 Annual General Meeting of the Company. If approved, the final dividend is expected to be paid on or around Thursday, 11 July 2019 to the Shareholders whose names appear on the H Shares register of members of the Company on Thursday, 20 June 2019 (the "**Dividend Entitlement Date**"). In respect of the arrangement in relation to the closures of H Shares register of members for the purposes of determining the Shareholders' entitlement to attend the 2018 AGM and to receive the 2018 final dividend, please refer to the paragraph headed "CLOSURES OF REGISTER OF MEMBERS OF H SHARES" below.

According to the Law on Corporate Income Tax of the People's Republic of China and its implementing regulations which came into effect on 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 corporate income tax ("**CIT**") at the rate of 10%. The Company, as a PRC domestic enterprise, is required to withhold CIT at the rate of 10% before distributing the final dividend to non-resident enterprise Shareholders as appearing on the H Shares register of members of the Company. Any Shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise Shareholders and therefore will be subject to the withholding of the CIT by the Company.

Should the holders of H Shares have any doubt in 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 identities of the Shareholders. In addition, the Company will withhold the CIT in strict compliance with the relevant laws or regulations and strictly based on what has been registered on the Company's H Shares register of members as at the Dividend Entitlement Date. The Company will disregard and assume no liabilities for any requests or claims in relation to any delay or inaccuracy in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding of CIT.

**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), 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 by individuals and securities investment funds from Mainland China (excluding enterprise investors from Mainland China, which shall be declared by themselves).

An agreement has been entered into between the Company and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited regarding the aforementioned dividend distribution arrangements to the investors under Southbound Trading Link, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominal holder of H Shares under Southbound Trading Link, will receive cash dividend declared by the Company and distribute them to relevant the investors under Southbound Trading Link through its registration and settlement system. Cash dividend received by the investors under Southbound Trading Link shall be settled in RMB. The Dividend Entitlement Date, cash dividend payment date and other time arrangements for the 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 arrangements for distribution of the final dividend in respect of A Shares of the Company, which however will be published in a separate announcement at SSE by the Company.

## BUSINESS REVIEW AND ANALYSIS

### Results overview

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

In the Year, the net revenue of the Group amounted to approximately RMB6,820,997,000, representing a decrease of approximately23.05% year-on-year, among which the net toll income amounted to approximately RMB3,567,976,000, up approximately 11.06% year-on-year; the net revenue from construction contracts amounted to approximately RMB1,064,118,000, down approximately 58.05% year-on-year (including the revenue from construction contracts of approximately RMB688,171,000 from Chengdu-Leshan Expressway Expansion Project, which was recognized according to the HKFRs, down approximately 11.30% year-on-year); the net revenue from operation of gas stations along the expressways amounted to approximately RMB1,907,383,000, representing a decrease of approximately 27.11% year-on-year; the net revenue from property development amounted to RMB105,743,000, down approximately 69.27% year-on-year. Other income and gains amounted to approximately RMB239,154,000, down approximately 9.01 % year-on-year. The profit attributable to the owners of the Company was approximately RMB849,638,000, representing a decrease of 5 % year-on-year. Basic earnings per Share were approximately RMB0.278 (2017: approximately RMB0.292). As at 31 December 2018, the Group's total assets amounted to approximately RMB36,035,058,000and net assets amounted to approximately RMB14,884,399,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Operation conditions of the "toll roads and bridges" segment of the Group**

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

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

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

### *(1) Economic factors*

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

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

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

## *(2) Policy factors*

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

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

– On 18 December 2018, the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department issued the Announcement in Relation to Weight-Based Tolling for Cargo Vehicles on Toll Roads(關於收費公路貨車計重收費有關事項的公告): according to the provisions of Administrative Measures of Sichuan Administrative Governing Documents (四川省行政規範性文件管理辦法) and as approved by the provincial government of Sichuan, the Notice of the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department on Application of Preferential Toll to the Normally Loaded Legitimate Transport Vehicles (四川省交通運輸廳四川省發展和改革委員會四川省財政廳關於對正常裝載合法運輸車輛通行費實行優惠的通知) (Chuan Jiao Fa [2014] No. 1) which had been implemented since 15 January 2014 would no longer be implemented upon its expiry on 14 January 2019. Commencing from 15 January 2019, the 20% preferential toll cut applicable to normally loaded 2-shaft and 3-shaft weight-based-tolling cargo vehicles as well as the 30% preferential toll cut applicable to normally loaded 4-shaft (or above) weight-based-tolling cargo vehicles would no longer be implemented. The tolls to be collected for such vehicles would be calculated based on the basic weight-based-tolling rates for cargo vehicles.

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3 Source: Department of Transportation of Sichuan Province

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

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

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

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

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

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

***(3) Regional development factors***

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

***(4) Factors in road network changes and road construction***

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

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

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

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

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

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

**Operation Conditions of the Group's Diversified Businesses**

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

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

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

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

## Major financing and investment projects of the Group

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

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

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

### *(2) Chengle Expressway Expansion Construction Project*

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

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

### *(3) Establishment of Tianyi United Company*

In order to proactively grasp the opportunities brought by the national "One Belt, One Road" strategy, conform to the supply-side structure reforms of transport industry in the PRC, deeply implement the "Thirteenth Five-Year" strategic plan of the Company, improve its core competitiveness, and achieve the industry synergies with complementary advantages, the Company held the general manager's office meeting on 16 October 2017, at which the proposal for the joint establishment of Tianyi United Company with Chengdu Communications Investment Group Co., Ltd ("**CCI**") and China Railway Chengdu Group Co., Ltd ("**Chengdu Railway Bureau**") was considered and approved. On 24 October 2017, the Company entered into the Investor Agreement with CCI and Chengdu Railway Bureau, pursuant to which the registered capital of Tianyi United Company was RMB1 billion. The Company, CCI and Chengdu Railway Bureau contributed RMB510 million, RMB440.5 million and RMB49.5 million, respectively, each holding 51%, 44.05% and 4.95% of the equity interests in Tianyi United Company, respectively. On 19 January 2018, Tianyi United Company completed the industrial and commercial registration with the Administration for Industry and Commerce of Tianfu New District (Chengdu Area), Sichuan Province.

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

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

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

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

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

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

### *(6) Establishment of Chengyu Education Company*

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

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

## FINANCIAL REVIEW AND ANALYSIS

### Summary of the Group's Operating Results

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

### Summary of the Group's Financial Position

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

## ANALYSIS OF OPERATING RESULTS

### Revenue

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

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

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

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

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

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

**Other Income and Gains**

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

**Operating Expenses**

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

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

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

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

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

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

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

**Finance Costs**

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

**Income Tax**

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

**Profit**

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

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

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

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

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

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

## ANALYSIS OF FINANCIAL POSITION

### Non-current Assets

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

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

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

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

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

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

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

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

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

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

**Current Assets and Current Liabilities**

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

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

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

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

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

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

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

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

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

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

**Non-current Liabilities**

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

**Equity**

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

**Capital Structure**

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

**Cash Flow**

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

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

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

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

**Risk of Exchange Fluctuation**

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

In addition, the Group did not use any financial instrument for hedging purposes during the Reporting Period.

**Borrowings and Solvency**

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

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

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired facilities of RMB13,508 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. As at 31 December 2018, the balance of syndicated loan for the project amounted to RMB2,948 million.

In 2013, China Development Bank (Sichuan Branch) as leader and other three banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan totaling RMB8,330 million. Such loan was specially used in Suiguang-Suixi Expressways BOT Project. As at 31 December 2018, the Company has withdrawn RMB8,330 million of such loan in aggregate.

**Pledge of Assets**

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

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

**BUSINESS DEVELOPMENT PLAN**

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

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

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

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

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

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

## 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.

## EMPLOYEES AND THEIR REMUNERATION AND TRAINING

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

| | |
|---|---|
| Number of in-service employees of the Company (including its branches) | 2,630 |
| Number of in-service employees of major subsidiaries | 1,832 |
| Total number of in-service employees | 4,462 |
| Number of retired or resigned employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs | Nil |

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

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

**Employees' Remuneration**

The total remuneration of the Company's employees is correlated with the operating results of the Company. The salary of the employees is comprised of basic salary (including salaries determined by the position and period of service) and performance incentive bonus. Employees' salary is determined with reference to position (i.e. the salary changes in accordance with the position of service) and performance. For the year ended 31 December 2018, the employees' salary of the Group totaled approximately RMB442,617,790, of which approximately RMB253,955,100 for the employees of the Company (including its branches).

**Employees' Insurance and Welfare**

The Company cherishes its employees and protects their lawful interests. The Company has improved various types of social insurance for employees in strict compliance with all applicable PRC labor security policies. Expenses for various types of social insurances for retirement, healthcare, unemployment, work related injury, childbirth, catastrophic illness and accident have been paid in full by the Company for the employees. Meanwhile, the Company has made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

## Staff Training

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard of its staff. During the Reporting Period, the Company had organised various centralized and specific trainings such as job-specific skills for technicians and continuing education for professional technical staff. A total of 16,022 attendances of the employees of the Company (including its branches) were recorded for the above training courses.

# CORPORATE GOVERNANCE

## Code on Corporate Governance Practices

Sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for operating a listed Company. More importantly, it fulfils the Company's internal development needs. The Company is committed to continuously enhancing its corporate governance standard. During the Reporting Period, the Company has adopted and fully complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Stock Exchange except that Mr. Tang Yong was unable to attend the extraordinary general meeting of the Company held on 25 January 2018 in accordance with provision A.6.7 under the Corporate Governance Code due to important business engagement; Mr. Tang Yong and Mr. Huang Bin were unable to attend the extraordinary general meeting of the Company held on 28 August 2018 in accordance with provision A.6.7 under the Corporate Governance Code due to important business engagement.

## Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors, who are all professionals with extensive experience in finance and economy industries, etc.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018 and is of the view that the Group has complied with all applicable accounting standards and requirements and made adequate disclosure.

# COMPLIANCE WITH THE MODEL CODE

During the Reporting Period, the Company had adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms not less than the required standard set out in the Model Code. Having made specific enquiries with all Directors and supervisors of the Company, it was confirmed that the Directors and Supervisors 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.

## CLOSURES OF REGISTER OF MEMBERS OF H SHARES

For the purposes of determining the shareholders' entitlement to attend the 2018 AGM and to receive the 2018 final dividend, the H Shares register of members of the Company will be closed during the following periods:

– **In respect of attending and voting at the 2018 AGM**

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

– **In respect of the entitlement to 2018 final dividend**

| | |
|---|---|
| Deadline for lodging transfer Documents | 4:30 p.m. on 14 June 2019 (Friday) |
| Closure period of the H Shares register | From 15 June 2019 (Saturday) to 20 June 2018 (Thursday) (both days inclusive) |
| Dividend Entitlement Date | 20 June 2019 (Thursday) |

In order to be entitled to attend and vote at the 2018 AGM, and to receive the 2018 final dividend of the Company, H shares shareholders should ensure that all transfer documents, accompanied by the relevant share certificates are lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before the time above designated for lodging transfer documents.

Shareholders are advised that the Company will make separate announcement on the SSE in respect of details of the arrangements regarding (i) the distribution of 2018 final dividend to the holders of A Shares and (ii) eligibility of the holders of A Shares for attending the 2018 AGM.

## PUBLICATION OF THE ANNUAL REPORT

The Company's annual report for the year ended 31 December 2018 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## DEFINITIONS

| | |
|---|---|
| 2018 AGM | the 2018 annual general meeting of the Company to be held on 5 June 2019 (Wednesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 18 April 2019 (Thursday) |
| A Share(s) | ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE |
| Airport Expressway | Chengdu Airport Expressway |
| Airport Expressway Company | Chengdu Airport Expressway Company Limited |
| 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 |

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|---|---|
| Chengbei Company | Chengdu Chengbei Exit Expressway Company Limited |
| Chengbei Exit Expressway | Chengdu Chengbei Exit Expressway |
| Chengle Company | Sichuan Chengle Expressway Company Limited |
| Chengle Expressway | Sichuan Chengle (Chengdu-Leshan) Expressway |
| Chengle Expressway Capacity Expansion Trial Project | Capacity Expansion Trial Project for Qinglongchang to Meishan Section of Chengle Expressway |
| Chengle Expressway Expansion Construction Project | Capacity Expansion Construction Project for the Chengdu–Leshan Expressway |
| Chengle Operation Branch | Operation and Management Branch of Sichuan Chengle Expressway Company Limited |
| Chengren Branch | Sichuan Expressway Company Limited Chengren Branch |
| Chengren Expressway | Chengdu-Meishan (Renshou) Section of ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway |
| Chengya Branch | Sichuan Expressway Company Limited Chengya Branch |
| Chengya Expressway | Sichuan Chengya (Chengdu-Ya'an) Expressway |
| Chengya Oil Company | Sichuan Chengya Expressway Oil Supply Company Limited |
| Chengyu Advertising Company | Sichuan Chengyu Expressway Advertising Company Limited |
| Chengyu Branch | Sichuan Expressway Company Limited Chengyu Branch |
| Chengyu Development Fund | Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership) |
| Chengyu Education Company | Sichuan Chengyu Education Investment Company Limited |

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|---|---|
| Chengyu Expressway | Chengyu Expressway Chengyu (Chengdu-Chongqing) Expressway (Sichuan Section) |
| Chengyu Financial Leasing Company | Chengyu Financial Leasing Company Limited |
| Chengyu Jianxin Fund Company | Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd. |
| Chengyu Logistics Company | Sichuan Chengyu Logistics Company Limited (四川成渝物流有限公司) |
| 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 |
| Commercial Factoring Company | Tianyi United Commercial Factoring (Luzhou) Company Limited |
| Company | Sichuan Expressway Company Limited |
| CSI SCE | CSI SCE Investment Holding Limited |
| CSRC | China Securities Regulatory Commission |
| Development Investment Company | Sichuan Development Equity Investment Fund Company Limited |
| Director(s) | director(s) of the Company |
| Dividend Entitlement Date | 20 June 2019 (Thursday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2018 final dividend of the Company (if approved by the Shareholders at the 2018 AGM) |
| Group | the Company and its subsidiaries |

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|---|---|
| H Share(s) | overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of Stock Exchange |
| HK$ | Hong Kong dollar(s), the lawful currency of Hong Kong |
| Hong Kong | the Hong Kong Special Administrative Region of the PRC |
| Listing Rules | the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be) |
| Model Code | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by the Directors and the Supervisors of the Company |
| 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 |
| Renshou Bank | Sichuan Renshou Rural Commercial Bank Co., Ltd. |
| Renshou Gaotan BT Project | engineering construction projects including Gaotan Water Park, roads in the area of Gaotan Reservoir, landscape engineering of Central Business Avenue, Tianfu Renshou Avenue, underneath channel of Lingzhou Avenue and Renshou Avenue extension |
| Renshou Landmark Company | Renshou Trading Landmark Company Limited |

| | |
|---|---|
| Renshou Shunan Company | Renshou Shunan Investment Management Company Limited |
| RMB | Renminbi, the lawful currency of the PRC |
| SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Share(s) | A Share(s) and/or H Share(s) (as the case may be) |
| Shareholder(s) | holder(s) of Shares |
| Shugong Testing Company | Sichuan Shugong Road Construction Engineering Testing Company |
| Shuhai Company | Chengdu Shuhai Investment Management Company Limited |
| Shuhong Company | Chengdu Shuhong Property Company Limited |
| Shunan Chengxing Company | Ziyang Shunan Chengxing Project Construction & Management Co., Ltd. |

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|---|---|
| Shunan Company | Sichuan Shunan Investment Management Company Limited |
| Shurui Company | Sichuan Shurui Construction Engineering Co., Ltd. |
| Shuxia Company | Sichuan Shuxia Industrial Company Limited |
| Sichuan Expressway Construction and Development | Sichuan Expressway Construction & Development Group Co., Ltd. (formerly known as "**Sichuan Speedway Construction Development General Company**"), a subsidiary of STIG |
| SSE | Shanghai Stock Exchange |
| STIG | Sichuan Transportation Investment Group Corporation Limited, the controlling shareholder of the Company |
| STIG Group | STIG and its subsidiaries |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Suiguang Expressway | Sichuan Suiguang (Suining-Guang'an) Expressway |
| Suiguang-Suixi Company | Sichuan Suiguang-Suixi Expressway Company Limited |
| Suiguang-Suixi Expressways BOT Project | the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build-operate-transfer) |
| Suixi Expressway | Sichuan Suixi (Suining-Xichong) Expressway |
| Supervisor(s) | supervisor(s) of the Company |
| Supervisory Committee | supervisory committee of the Company |
| Tianyi United Company | Sichuan Tianyi United Investment & Development Co., Ltd(四川省天乙多聯投資發展有限公司) |

| | |
|---|---|
| Trading Construction Company | Sichuan Trading Construction Engineering Co., Ltd. (formerly known as "**Sichuan Shugong Expressway Engineering Company Limited**") |
| Year or Reporting Period | the 12 months ended 31 December 2018 |
| Zhonglu Energy Company | Sichuan Zhonglu Energy Company Limited |

By Order of the Board
**Sichuan Expressway Company Limited***
**Zhou Liming**
*Chairman*

Chengdu, Sichuan Province, the PRC
28 March 2019

*As at the date of this announcement, the Board comprises Mr. Zhou Liming (Chairman), Mr. Gan Yongyi (Vice Chairman) and Mr. Luo Maoquan as executive Directors, Mr. Zheng Haijun (Vice Chairman), Mr. Tang Yong, Mr. Huang Bin, Mr. Wang Shuanming and Mr. Ni Shilin as non-executive Directors, Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Yu Haizong and Madam Liu Lina as independent non-executive Directors.*

* *For identification purposes only*