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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)

2020 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- Net revenue increased by approximately 5.02% to approximately RMB8,198,610,000
- Profit attributable to owners of the Company decreased by approximately 37.87% to approximately RMB674,809,000
- Earnings per share decreased by approximately 37.75% to approximately RMB0.221
- Proposed payment of 2020 final cash dividend of RMB0.08 (tax inclusive) (2019: RMB0.11 (tax inclusive)) per share

The Board announces the audited consolidated results of the Group for the year ended 31 December 2020, 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 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
REVENUE	3,4	8,198,610	7,806,743
Cost of sales		<u>(6,472,202)</u>	<u>(5,501,537)</u>
Gross profit		1,726,408	2,305,206
Other income and gains	4	306,606	269,107
Administrative expenses		(352,994)	(336,776)
Other expenses		(62,241)	(78,959)
Finance costs	5	(632,911)	(723,554)
Share of profits and losses of:			
Joint ventures		14,110	(280)
Associates		<u>(7,371)</u>	<u>28,795</u>
PROFIT BEFORE TAX	6	<u>991,607</u>	<u>1,463,539</u>
Income tax expense	7	<u>(257,710)</u>	<u>(330,250)</u>
PROFIT FOR THE YEAR		<u>733,897</u>	<u>1,133,289</u>
Attributable to:			
Owners of the Company		674,809	1,086,131
Non-controlling interests		<u>59,088</u>	<u>47,158</u>
		<u>733,897</u>	<u>1,133,289</u>

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income/(loss):			
Changes in fair value		(90,906)	8,850
Income tax effect		14,316	(2,298)
		<u>(76,590)</u>	<u>6,552</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX			
		<u>(76,590)</u>	<u>6,552</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		<u>657,307</u>	<u>1,139,841</u>
Attributable to:			
Owners of the Company		596,805	1,092,098
Non-controlling interests		60,502	47,743
		<u>657,307</u>	<u>1,139,841</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	8	<u>RMB0.221</u>	<u>RMB0.355</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		764,036	760,079
Service concession arrangements	9	27,657,591	25,423,037
Right-of-use assets		416,724	458,490
Investments in joint ventures		137,926	135,374
Investments in associates		289,127	318,427
Equity investments designated at fair value through other comprehensive income		281,883	372,789
Loans to customers		1,291,105	1,180,772
Long term compensation receivables		14,353	24,010
Payments in advance		–	49,360
Contract assets		10,000	10,000
Contract costs		18,227	17,480
Deferred tax assets		31,014	157
Interests in land held for property development		156,303	156,303
Restricted deposits		36,027	29,102
Pledged deposits		–	15,000
		<hr/>	<hr/>
Total non-current assets		31,104,316	28,950,380
CURRENT ASSETS			
Properties under development		1,587,314	2,019,493
Completed properties held for sale		969,986	154,350
Inventories		48,989	63,841
Loans to customers		1,018,472	935,463
Trade and other receivables	10	2,441,430	2,681,172
Contract assets		21,000	21,000
Contract costs		17,040	9,238
Financial assets at fair value through profit or loss		494	73,933
Pledged deposits		15,000	–
Cash and cash equivalents		3,180,340	2,951,704
		<hr/>	<hr/>
Total current assets		9,300,065	8,910,194

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
CURRENT LIABILITIES			
Tax payable		136,478	70,823
Trade and other payables	11	3,297,114	3,229,995
Contract liabilities		911,363	542,203
Dividend payables		29,434	10,485
Interest-bearing bank and other borrowings	12	4,560,204	3,541,803
Total current liabilities		8,934,593	7,395,309
NET CURRENT ASSETS			
		365,472	1,514,885
TOTAL ASSETS LESS CURRENT LIABILITIES			
		31,469,788	30,465,265
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	14,000,093	13,310,136
Deferred tax liabilities		5,441	9,088
Contract liabilities		657,856	895,936
Deferred income	11	272,717	96,137
Total non-current liabilities		14,936,107	14,311,297
Net assets		16,533,681	16,153,968
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	3,058,060	3,058,060
Reserves	14	12,476,974	12,219,838
		15,535,034	15,277,898
Non-controlling interests		998,647	876,070
Total equity		16,533,681	16,153,968

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

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

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

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 Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKFRS 1, and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

- (a) Conceptual Framework for Financial Reporting 2018 (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any material rent concessions granted by the lessors.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

- (c) the financial investment segment comprises finance lease operation, factoring business and financial investment;
- (d) the energy investment segment comprises the operation of gas stations along expressways, sale of petrochemicals and other oil products; and
- (e) the transportation, tourism, culture and education segment mainly comprises education operations.

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

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

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Toll roads and bridges <i>RMB'000</i>	City operation <i>RMB'000</i>	Financial investment <i>RMB'000</i>	Energy investment <i>RMB'000</i>	Transportation, tourism, culture and education <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT REVENUE <i>(note 4)</i>	3,007,666	3,545,098	186,695	1,459,151	-	8,198,610
SEGMENT RESULTS	732,036	188,190	72,509	157,365	(60)	1,150,040
Reconciliation:						
Unallocated income and gains						181,773
Corporate and other unallocated expenses (other than interest on lease liabilities)						<u>(340,206)</u>
Profit before tax						<u><u>991,607</u></u>
SEGMENT ASSETS	29,081,491	4,950,053	2,618,966	202,727	6,386	36,859,623
Reconciliation:						
Equity investments designated at fair value through other comprehensive income						281,883
Financial assets at fair value through profit or loss						494
Deferred tax assets						31,014
Pledged deposits						15,000
Restricted deposits						36,027
Cash and cash equivalents						<u>3,180,340</u>
Total assets						<u><u>40,404,381</u></u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020 (continued)

	Toll roads and bridges <i>RMB'000</i>	City operation <i>RMB'000</i>	Financial investment <i>RMB'000</i>	Energy investment <i>RMB'000</i>	Transportation, tourism, culture and education <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT LIABILITIES	19,141,612	3,610,391	1,020,021	67,787	1,455	23,841,266
Reconciliation:						
Dividend payables						29,434
Total liabilities						<u>23,870,700</u>
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	14,785	1,005	(23,161)	-	-	(7,371)
Share of profits and losses of joint ventures	11,044	-	3,066	-	-	14,110
Interest expenses	574,658	57,536	70	587	60	632,911
Depreciation and amortisation	891,832	12,522	3,318	15,743	939	924,354
Investments in associates	75,125	72,085	141,917	-	-	289,127
Investments in joint ventures	129,380	-	8,546	-	-	137,926
Capital expenditure*	<u>3,101,619</u>	<u>10,911</u>	<u>437</u>	<u>3,389</u>	<u>28</u>	<u>3,116,384</u>

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Toll roads and bridges <i>RMB'000</i>	City operation <i>RMB'000</i>	Financial investment <i>RMB'000</i>	Energy investment <i>RMB'000</i>	Transportation, tourism, culture and education <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT REVENUE <i>(note 4)</i>	3,899,438	1,987,349	147,321	1,772,635	–	7,806,743
SEGMENT RESULTS	1,308,814	151,144	44,577	150,474	(6)	1,655,003
<u>Reconciliation:</u>						
Unallocated income and gains						145,655
Corporate and other unallocated expenses						<u>(337,119)</u>
Profit before tax						<u><u>1,463,539</u></u>
SEGMENT ASSETS	26,755,466	4,850,451	2,562,356	242,362	7,254	34,417,889
<u>Reconciliation:</u>						
Equity investments designated at fair value through other comprehensive income						372,789
Financial assets at fair value through profit or loss						73,933
Deferred tax assets						157
Pledged deposits						15,000
Restricted deposits						29,102
Cash and cash equivalents						<u>2,951,704</u>
Total assets						<u><u>37,860,574</u></u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019 (continued)

	Toll roads and bridges <i>RMB'000</i>	City operation <i>RMB'000</i>	Financial investment <i>RMB'000</i>	Energy investment <i>RMB'000</i>	Transportation, tourism, culture and education <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT LIABILITIES	16,892,562	3,380,983	1,372,064	48,344	2,168	21,696,121
Reconciliation:						
Dividend payables						10,485
Total liabilities						<u>21,706,606</u>
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	17,324	30	11,441	-	-	28,795
Share of profits and losses of joint ventures	(217)	-	(63)	-	-	(280)
Interest expenses	631,652	53,937	37,240	719	6	723,554
Depreciation and amortisation	841,701	9,183	3,615	16,175	85	870,759
Investments in associates	76,088	71,080	171,259	-	-	318,427
Investments in joint ventures	132,794	-	2,580	-	-	135,374
Capital expenditure	<u>1,646,795</u>	<u>14,646</u>	<u>692</u>	<u>1,805</u>	<u>162</u>	<u>1,664,100</u>

Entity-wide disclosures

Geographical information

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

Information about major customers

During the year ended 31 December 2020, 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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	7,991,225	7,626,806
Revenue from other sources		
Finance leasing	169,085	143,341
Commercial factoring	17,610	3,980
Gross rental income from operating leases: other lease payments, including fixed payments	20,690	32,616
	207,385	179,937
	8,198,610	7,806,743

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

Segments

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

Geographical markets

Revenues under HKFRS 15 are all generated in Mainland China.

Timing of revenue recognition

Goods transferred						
at a point in time	3,007,666	563,097	-	1,459,151	-	5,029,914
Services transferred over time	-	2,961,311	-	-	-	2,961,311
Total revenue from contracts with customers	<u>3,007,666</u>	<u>3,524,408</u>	<u>-</u>	<u>1,459,151</u>	<u>-</u>	<u>7,991,225</u>

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments

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

Geographical markets

Revenues under HKFRS 15 are all generated in Mainland China.

Timing of revenue recognition

Goods transferred						
at a point in time	3,899,438	304,544	-	1,772,635	-	5,976,617
Services transferred over time	-	1,650,189	-	-	-	1,650,189
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>3,899,438</u>	<u>1,954,733</u>	<u>-</u>	<u>1,772,635</u>	<u>-</u>	<u>7,626,806</u>

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) *Disaggregated revenue information (continued)*

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property development	<u>462,788</u>	<u>31,780</u>

(b) *Performance obligations*

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

Toll income

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

Sale of industrial products

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

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days to 3 years from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Property development

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

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

	2020 RMB'000	2019 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	3,112,247	2,661,227
After one year	4,532,970	2,060,252
	<u>7,645,217</u>	<u>4,721,479</u>

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<u>Other income and gains</u>		
Interest income from bank deposits	47,388	62,709
Interest income from discounting long-term compensation receivables	4,266	5,244
Interest income arising from revenue contracts	120,567	118,208
Rental income from operating leases of other lease payments, including fixed payments	4,314	5,932
Government grants*	60,529	14,075
Dividend income from equity investments designated at fair value through other comprehensive income	8,633	6,621
Road damage compensation income	44,929	43,042
Fair value gains/(loss) on financial assets on at fair value through profit or loss	(89)	3,983
Gain on disposal of financial assets on at fair value through profit or loss	3,468	161
Dividend income from financial assets at fair value through profit or loss	2,348	–
Miscellaneous	10,253	9,132
	<u>306,606</u>	<u>269,107</u>
Total other income and gains	<u>306,606</u>	<u>269,107</u>

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank and other borrowings	700,258	720,911
Interest on medium term notes	92,426	98,798
Interest on lease liabilities	9,870	8,535
	<u>802,554</u>	<u>828,244</u>
Less:		
Interest capitalised in respect of:		
– Service concession arrangements (<i>note 9(d)</i>)	(74,187)	(24,565)
– Properties under development	(10,441)	(12,389)
Interest recorded under cost of sales	(85,015)	(67,736)
	<u>632,911</u>	<u>723,554</u>
Interest rate of borrowing costs capitalised	<u>4.41%–7.8%</u>	<u>4.41%–7.8%</u>

6. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration):		
Wages and salaries	573,489	532,816
Pension scheme contributions		
– Defined contribution fund	46,554	71,485
Housing fund		
– Defined contribution fund	54,782	47,029
Supplementary pension scheme		
– Defined contribution fund	22,250	18,461
Other staff benefits	115,777	118,759
	<hr/>	<hr/>
Employee benefit expense*	812,852	788,550
	<hr/>	<hr/>
Depreciation of property, plant and equipment	91,977	69,700
Amortisation of service concession arrangements	771,348	744,283
Depreciation of right-of-use assets	61,029	56,776
	<hr/>	<hr/>
Depreciation and amortisation expenses	924,354	870,759
	<hr/>	<hr/>
Construction costs in respect of:		
– Service concession arrangements*	2,931,715	1,348,375
– Construction works performed for other parties*	6,813	237,825
	<hr/>	<hr/>
Construction costs	2,938,528	1,586,200
	<hr/>	<hr/>

6. PROFIT BEFORE TAX (CONTINUED)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of sales of refined oil and petrochemical products	1,245,582	1,555,010
Cost of properties sold	363,539	20,125
Cost of finance lease operation	85,015	67,736
Repairs and maintenance	188,092	506,909
Lease payments not included in the measurement of lease liabilities	3,591	4,716
Impairment/(reversal of impairment) of completed properties held for sale	(3,917)	1,527
Auditor's remuneration	3,120	3,120
Loss on disposal of items of property, plant and equipment and service concession arrangements	2,576	32,967
Impairment loss on trade receivables (note 10(a))	50,510	–
Impairment loss/(reversal of impairment) on financial assets included in other receivables	<u>(13,587)</u>	<u>13,260</u>

* During the year, employee costs of RMB31,720,000 (2019: RMB37,464,000), and depreciation and amortisation charges of RMB2,572,000 (2019: RMB2,324,000) 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 2020 and 2019.

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%.

7. INCOME TAX (CONTINUED)

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) (“**Circular**”), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, “from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned enterprises shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the “**Catalogue**”) approved by the State Council, and the income from which accounts for more than 70% of the total income of such enterprises.”

Pursuant to the Circular on Issues Announcement on the Continuation of Cai Shui [2011] No. 58 for Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and National Development and Reform Commission (“Circular [2020] No. 23”), the tax preferential treatments for the Western Region Development are valid until 2030. According to the Circular [2020] No. 23, “from 1 January 2021 to 31 December 2030, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries prescribed in the Catalogue if the income which is within the Catalogue accounts for more than 60% of the total income of such enterprises.”

For entities within the scope of the transportation industry, i.e., the Company, Chengle Company, Chengbei Company 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 2020 continued to be calculated at a tax rate of 15%.

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Mainland China		
Charge for the year	276,512	330,194
Underprovision/(overprovision) in prior years	1,386	(2,128)
Deferred	(20,188)	2,184
	<hr/>	<hr/>
Total tax charge for the year	<u>257,710</u>	<u>330,250</u>

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 (2019: 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 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

9. SERVICE CONCESSION ARRANGEMENTS

(a) At 31 December 2020, 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)):

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Chengle Expressway	5,788,278	3,689,688
Chengren Expressway	6,470,301	6,639,158
Suiguang Expressway and Suixi Expressway	11,662,808	11,817,261
	<hr/>	<hr/>
	<u>23,921,387</u>	<u>22,146,107</u>

9. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

- (b) During the year, the Group was in the construction of the Chengle Expressway Expansion Construction Project and Tianqiong Expressway Build-Operate-Transfer (“**BOT**”) Project. Total costs of RMB3,005,902,000 (2019: RMB1,372,940,000) including construction costs of RMB2,931,715,000 and borrowing costs of RMB74,187,000 were incurred, among which RMB2,931,715,000 (2019: RMB1,348,375,000) was sub-contracted to third party subcontractors.
- (c) Construction revenue of RMB2,931,715,000 (2019: RMB1,348,375,000) was mainly recognised in respect of the construction service provided by the Group for the Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the Group is granted the rights to charge the users under the service concession arrangements of the abovementioned projects.
- (d) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB74,187,000 (2019: RMB24,565,000) (note 5).

10. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Trade receivables			
Trade receivables		1,972,178	2,188,404
Impairment		(50,510)	–
Trade receivables, net	(a)	1,921,668	2,188,404
Bills receivable		35,714	25,823
		1,957,382	2,214,227
Other receivables			
Deposit and other receivables	(b)	517,994	488,847
Impairment		(95,264)	(108,851)
		422,730	379,996
Prepayments		61,318	86,949
Other receivables, net		484,048	466,945
Total trade and other receivables		2,441,430	2,681,172

Notes:

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

The term of commercial factoring contracts ranged from four months to one year since the effective date of the relevant factoring contracts. The Group's credit terms of trade receivables arising from commercial factoring are generally on 30-day basis.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(a) (continued)

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 RMB853,012,000 as at 31 December 2020 (2019: RMB1,054,108,000) are to be settled by instalments within two to three years upon completion of the relevant construction works and bear interest at rates of ranging from 4.75% to 14.98% (2019: 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:

	2020 <i>RMB'000</i>	2019 RMB'000
Within 3 months	1,048,515	1,065,895
3 to 6 months	21,555	37,455
6 to 12 months	63,199	125,115
Over 1 year	788,399	959,939
	<u>1,921,668</u>	<u>2,188,404</u>

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(a) (continued)

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	–	–
Impairment losses (<i>note 6</i>)	<u>50,510</u>	<u>–</u>
At end of year	<u><u>50,510</u></u>	<u><u>–</u></u>

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

As at 31 December 2020, the Group's major receivables are from government agencies, state-owned enterprises and a number of diversified customers. In view of the history of business dealings with the debtors and the sound collection history of the receivables and loans to customers due from them, the Group believes that there is no significant credit risk with these receivables. Management keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis based on historical payment records, the length of the overdue period, background and reputation of the debtors, the financial strength of the debtors and whether there are any disputes with the debtors. Except for the loss allowance for impairment of trade receivables mentioned above, no additional ECL was provided as the directors consider that the expected credit risks of these receivables are minimal.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) The Group's deposits and other receivables at 31 December 2020 are analysed as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest receivables on temporary advances and construction revenue	6,038	18,714
Long-term compensation receivables to be received within one year	9,658	8,478
Toll income receivables	167,452	30,845
Deductible input value-added tax	138,321	138,977
Deposits	14,943	13,217
Miscellaneous	181,582	278,616
	<u>517,994</u>	<u>488,847</u>
Impairment allowance	(95,264)	(108,851)
	<u><u>422,730</u></u>	<u><u>379,996</u></u>

11. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current portion:			
Trade payables	(a)	406,030	256,165
Other payables	(b)	2,799,893	2,881,340
Accruals		57,871	59,142
Deferred income		306,037	129,485
		<u>3,569,831</u>	<u>3,326,132</u>
Non-current portion		<u>(272,717)</u>	<u>(96,137)</u>
Portion clarified as current liabilities		<u><u>3,297,114</u></u>	<u><u>3,229,995</u></u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	344,161	158,833
3 to 6 months	3,293	1,265
6 to 12 months	658	–
Over 1 year	57,918	96,067
	406,030	256,165

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Advances	33,038	30,666
Inter-network toll collection	35,851	54,324
Payroll and welfare payables	239,882	233,844
Taxes and surcharge payables	41,710	28,753
Progress billing payables	1,513,015	1,749,522
Retention payables	350,447	371,757
Deposits	202,950	180,547
Others	383,000	231,927
	2,799,893	2,881,340

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Bank loans:			
– Secured	(a)	13,065,000	11,955,993
– Unsecured		3,750,000	2,060,000
Medium term notes	(b)	1,290,000	2,490,000
Other borrowings, unsecured	(c)	112,240	112,240
Other borrowings, secured		140,472	–
Lease liabilities		202,585	233,706
		18,560,297	16,851,939

(a) Bank loans were secured by:

	<i>Notes</i>	2020 RMB'000 <i>(Bank loan amount)</i>	2019 <i>RMB'000</i>
Secured by concession rights of:	9(a)		
Chengle Expressway		2,590,000	800,000
Chengren Expressway		2,101,701	2,381,264
Suiguang Expressway and Suixi Expressway		7,610,000	7,910,000
		12,301,701	11,091,264
Secured by loans to customers		681,299	659,729
Secured by land use rights		82,000	205,000
		13,065,000	11,955,993

The bank loans bear interest at rates of ranging from 3.10% to 6.4% (2019: 3.65% to 6.4%) per annum.

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

- (b) At 31 December 2020, the Company had two (2019: three) tranches of outstanding medium term notes totalling RMB1,290,000,000 (2019: RMB2,490,000,000) 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% (2019: 3.56% to 6.30%) per annum. The medium term notes were all issued at a par value of RMB100 per unit, and will be repaid in June 2021 and July 2024, with an original maturity period of five years.
- (c) Other borrowings as at 31 December 2020 represent the unsecured shareholder's loan of RMB112,240,000 (2019: RMB112,240,000) granted to the Group by a non-controlling shareholder, bearing interest at a rate of 7.80% (2019: 7.80%) per annum.

13. ISSUED CAPITAL

	2020	2019
	RMB'000	RMB'000
Issued and fully paid:		
A Shares of 2,162,740,000 (2019: 2,162,740,000) of RMB1.00 each	2,162,740	2,162,740
H Shares of 895,320,000 (2019: 895,320,000) of RMB1.00 each	895,320	895,320
	<u>3,058,060</u>	<u>3,058,060</u>

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

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

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"), 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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Proposed final – RMB0.080 (2019: RMB0.110) per ordinary share	<u>244,645</u>	<u>336,387</u>

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 2020, the net revenue of the Group amounted to approximately RMB8,198,610,000, representing an increase of approximately 5.02% as compared with last year; the profit attributable to owners of the Company amounted to approximately RMB674,809,000, representing a decrease of approximately 37.87% as compared with last year; and basic earnings per Share were approximately RMB0.221 (2019: approximately RMB0.355).

As at 31 December 2020, the Group's total assets and net assets were approximately RMB40,404,381,000 and RMB16,533,681,000, 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).

1. The accounting principles and the relevant financial regulations applicable to enterprises established in the PRC ("**PRC GAAP**"); and
2. Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong ("**HK GAAP**") and the disclosure requirements of the Hong Kong Companies Ordinance.

The Board has recommended a final cash dividend for the year 2020 of RMB0.08 per ordinary share (tax inclusive), aggregating to approximately RMB244,645,000, representing 47.27% 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 36.27% 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 2020 Annual General Meeting of the Company. If approved, the final dividend is expected to be paid on or around Tuesday, 6 July 2021 to the Shareholders whose names appear on the H Shares register of members of the Company on Tuesday, 8 June 2021 (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 2020 AGM and to receive the 2020 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 (CIT) 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 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. In 2020, due to the impact of the temporary toll-free policy factor and the economic environment factor resulting from the COVID-19 pandemic, the Group's operating results have been subject to various difficulties. The increase of toll revenue and related diversified businesses saw a severe challenge. However, in virtue of wholehearted solidarity of and brave endeavors and accurate implementation of policies by employees at all levels, the Group comprehensively built-up budget management and cost control, strived to improve our operation and management, accelerated the construction of key projects, and actively responded to various adverse impact of the pandemic. While strictly implementing the toll-free policy and helping the social and economic recovery, we accelerated the development of the main business back to the normal track to ensure the steady recovery of major performance indicators.

The net revenue of the Group amounted to approximately RMB8,198,610,000 this year, representing an increase of approximately 5.02% year-on-year. In particular, the toll roads and bridges segment achieved net income of approximately RMB3,007,666,000, representing a year-on-year decrease of approximately 22.87%; the financial investment segment achieved net income of approximately RMB186,695,000, representing a year-on-year increase of approximately 26.73%; the city operation segment achieved net income of approximately RMB3,545,098,000, representing a year-on-year increase of approximately 78.38%; the energy investment segment achieved net income of approximately RMB1,459,151,000, representing a year-on-year decrease of approximately 17.68%. The profit attributable to the owners of the Company was approximately RMB674,809,000, representing a decrease of 37.87% year-on-year. Basic earnings per Share were approximately RMB0.221 (2019: approximately RMB0.355). As at 31 December 2020, the Group's total assets amounted to approximately RMB40,404,381,000 and net assets amounted to approximately RMB16,533,681,000.

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

	Income for 2020 (after deduction of turnover tax) (RMB '000)	Year-on-year increase/ (decrease) in income for 2020 (%)	Profit/(loss) for 2020 (RMB '000)	Year-on-year increase/ (decrease) in profit/(loss) for 2020 (%)
Chengyu Branch ^(Note 1, 2)	692,154	(26.42)	208,692	(29.89)
Chengya Branch ^(Note 1, 2)	797,120	(17.18)	293,128	(21.43)
Chengren Branch ^(Note 1, 2)	770,247	(24.57)	246,026	(37.45)
Chengle Branch ^(Note 3)	378,207	(23.89)	151,283	(41.44)
Chengbei Branch ^(Note 4)	87,142	(18.72)	33,049	6,383.08
Suiguang-Suixi Company ^(Note 5)	282,796	(23.77)	(387,220)	13.70
Shunan Company ^(Note 6)	3,322	4,540.95	(49,207)	36.96
Renshou Shunan Company ^(Note 7)	2,421	(83.47)	45,406	(30.50)
Shunan Chengxing Company ^(Note 8)	10,439	(96.05)	39,296	(7.37)
Shuhong Company ^(Note 9)	22,672	(31.22)	(9,656)	(55.15)
Shuxia Company	58,509	(21.10)	12,229	(42.64)
Chengyu Advertising Company ^(Note 10)	2,733	(58.51)	(1,262)	4,251.72
Chengyu Logistics Company	-	N/A	-	N/A
Chengyu Education Company ^(Note 11)	-	N/A	2,345	192.83
Multimodal Transport Company ^(Note 12)	41,543	(79.77)	15,147	259.07
Commercial Factoring Company ^(Note 13)	17,610	342.47	(44,076)	(2,055.46)
Shuhai Company ^(Note 14)	-	N/A	(4,674)	(151.96)
Chengya Oil Company	502,975	0.15	48,179	1.06

	Income for 2020 (after deduction of turnover tax) (RMB '000)	Year-on-year increase/ (decrease) in income for 2020 (%)	Profit/(loss) for 2020 (RMB '000)	Year-on-year increase/ (decrease) in profit/(loss) for 2020 (%)
Zhonglu Energy Company ^(Note 15)	958,570	(24.70)	41,146	(0.42)
Renshou Landmark Company ^(Note 15)	462,788	1,356.21	9,791	114.63
Chengyu Financial Leasing Company	169,261	18.03	50,470	13.25
Chengqiongya Company	-	-	-	-

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

Note 2: Chengyu Branch, Chengya Branch and Chengren Branch recorded a decrease of 26.42%, 17.18% and 24.57%, respectively, in the income for the year as compared with that of last year, and recorded a decrease of 29.89%, 21.43% and 37.45%, respectively, in the profit for the year as compared with that of last year, which was mainly due to: (1) the toll-free policy for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to the Notice on the Extension of the Toll Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020年春節假期小型客車通行費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport; (2) according to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic issued by the Ministry of Transport (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), all vehicles passing toll roads according to law are exempt from tolls from 00:00 on 17 February 2020 to the end of the pandemic prevention and control work. On April 28, the Ministry of Transport issued the Announcement on the Resumption of Toll Road Tolls (《關於恢復收費公路收費的公告》), in which it was declared that toll collection of toll roads approved by law will resume, starting from 0:00 on 6 May 2020 (including toll bridges and tunnels). The policies on COVID-19 pandemic resulted in a year-on-year decrease in the income and profit of Chengyu Branch, Chengya Branch and Chengren Branch.

Note 3: Chengle Expressway recorded a decrease of RMB107,047,000 or 41.44% in the profit for the year as compared with that of last year, mainly due to the decrease in toll income and profit of Chengle Expressway resulting from the impact of the pandemic.

- Note 4:* Chengbei Expressway recorded a decrease of RMB20,064,000 or 18.72% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year due to the impact of the pandemic. However, due to expenses for the road surface renovation project and Qinglongchang Viaduct Pavement Improvement Project in the previous year, the related expenditures for this year decreased, resulting in an increase in profit of RMB33,575,000 over the previous year.
- Note 5:* Suiguang-Suixi Company recorded a year-on-year decrease of RMB88,188,000 or 23.77% in the toll income (after deduction of turnover taxes), and an increase of RMB46,647,000 in the losses for the year as compared with that of last year due to the impact of the pandemic.
- Note 6:* Shunan Company recorded an increase of 4,540.95% in the income for the year as compared with that of last year, which was mainly due to the increase in the income of relevant output value recognized by the projects of the year, but the increase of 36.96% in the losses as compared with that of last year attributed to the decrease in the profit from fund interests and fund occupation for the year.
- Note 7:* Renshou Shunan Company recorded a decrease of 83.47% in the income for the year as compared with that of last year, which was mainly due to the decrease in the calculation basis of investment profit as a result of the successive payment collection of the audited projects, and the corresponding decrease in the recognized income.
- Note 8:* Shunan Chengxing Company recorded a decrease of 96.05% in the income for the year as compared with that of last year, which was mainly due to the decrease in the income for the current period as most of the BT projects had been completed for auditing and the output value recorded a decrease.
- Note 9:* Shuhong Company recorded a loss of RMB9,656,000 for the year, representing a loss of 55.15% as compared with that of last year, which was mainly due to the recognition of related output value profit of certain projects and cost control of the projects.
- Note 10:* Chengyu Advertising Company recorded a decrease of 58.51% in the income for the year as compared with that of last year, and an increase of 4,251.72% in the loss as compared with that of last year, which was mainly due to (1) the remove of part of high-quality media facilities alongside Chengyu Expressway; (2) the impact of COVID-19 pandemic on the operation of advertising business.
- Note 11:* Chengyu Education Company recorded an increase of RMB4,871,000 in the profit for the year, mainly due to the increase in the interest income.

Note 12: Multimodal Transport Company recorded a decrease of 79.77% in the income for the year as compared with that of last year, mainly due to the decrease in the income from commercial trade business, but an increase of 259.07% in the profit for the year as compared with that of last year as a result of the reversal of expected credit losses.

Note 13: Commercial Factoring Company recorded an increase of 342.47% in the income for the year, mainly due to the significant increase in the factoring loan scale, but an increase of RMB46,330,000 for the year as a result of the provision of impairment on the expected credit losses.

Note 14: Shuhai Company recorded a decrease of RMB13,670,000 in the profit for the year as compared with that of last year, mainly due to the decrease in investment income recognized for the year.

Note 15: Renshou Landmark Company recorded an increase of 1,356.21% in the sales income for the year and an increase of RMB76,720,000 in the profit for the year due to the delivery of certain residential units of Land A of Beichengshidai (Phase II).

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

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

Item	Shareholding percentage (%)	Average daily traffic flow (vehicles)			Toll income (before revenue taxes) (RMB'000)		
		2020	2019	Increase/ (decrease) (%)	2020	2019	Increase/ (decrease) (%)
Chengyu Expressway	100	25,427	23,311	9.08	695,071	944,238	(26.39)
Chengya Expressway	100	50,274	40,767	23.32	800,341	966,357	(17.18)
Chengren Expressway	100	46,244	41,170	12.32	773,533	1,024,965	(24.53)
Chengle Expressway	100	31,242	25,551	22.27	380,452	498,832	(23.73)
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	58,869	50,566	16.42	87,664	107,917	(18.77)
Suiguang Expressway	100	6,719	6,208	8.23	180,743	217,517	(16.91)
Suixi Expressway	100	3,030	2,958	2.43	103,213	154,873	(33.36)

Notes:

1. Average daily traffic flow for the period excludes traffic flow which is toll-free during the pandemic, shall be the calculated data from 6 May 2020 to 31 December 2020.
2. Average daily traffic flow for the corresponding period in 2019 shall be the calculated data from 1 May 2019 to 31 December 2019.

In 2020, the toll income (before deduction of turnover taxes) of the Group was approximately RMB3,021,017,000, representing a decrease of approximately 22.83% as compared with last year. The percentage of the toll income to the Group's operating revenue from main business (after deduction of turnover taxes) was approximately 36.69%, representing a decrease of approximately 13.26% when compared with 49.95% 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 2020, in respond to the severe and complicated domestic and international environment, especially the huge impact of the COVID-19 pandemic, and by following the underlying principle of making progress while maintaining stability nationwide, China coordinated the pandemic prevention and control as well as the economic and social development, so that the stability of economic operation resumed, the employment and people's livelihood was safeguarded and the major goals and missions of economic and social development were accomplished better than expected. The gross domestic product (GDP) for the whole year was RMB101,598.6 billion, representing a year-on-year increase of 2.3% based on the comparable prices. In terms of quarters, the GDP in the first quarter represented a year-on-year decrease of 6.8%, the GDP in the second quarter represented a year-on-year increase of 3.2%, the GDP in the third quarter represented a year-on-year increase of 4.9%, and the GDP in the fourth quarter represented a year-on-year increase of 6.5%¹. As the works of pandemic prevention and control as well as the economic and social development in Sichuan Province were coordinated and advanced, the provincial economy continued to pick up and made progress in stability, the major goals for the year were successfully accomplished. In 2020, Sichuan Province achieved a regional GDP of RMB4,859,880 million, representing an increase of 3.8% as compared to last year. In terms of quarters, the GDP in the first quarter represented a year-on-year decrease of 3.0%, the GDP in the first half of the year increased by 0.6%, reversing the negative growth to positive one, the GDP in the first third quarter increased by 2.4%, and the GDP for the year increased by 3.8%², demonstrating a sound trend of the continuous stability of economic resumption and the greater resilience of economic development. The economy, which started with a decline and continued to recover, has driven the resumption of transportation economy. Since the second quarter, the traffic flow on substantial toll expressways under the Group have gradually recovered to normal standard.

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

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

- According to the requirements of the Notice on Deepening the Reform of the Toll Road System on Cancellation of Toll Stations on the Provincial Boundaries of Expressways (關於深化收費公路制度改革取消高速公路省界收費站的通知) issued by the Office of the People's Government of Sichuan Province, Sichuan Province has canceled all 19 provincial expressway toll stations in the province at 00:00 on 1 January 2020, and achieved grid-connected of toll system.
- At the beginning of 2020, a relatively serious novel coronavirus pandemic occurred in China and in many countries around the world, which had a significant impact on people's lives and health and the socio-economic development. Since the outbreak of the pandemic, people's willingness to travel has been reduced, and the resumption of work and production by enterprises has been delayed, which has resulted in the suspension of a large number of passenger flights and lines and a sharp decline in road traffic. In order to guarantee the pandemic prevention and control work and support the resumption of work and production for enterprises, the toll-free policy for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to the Notice on the Extension of the Toll Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020年春節假期小型客車通行費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport. According to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic issued by the Ministry of Transport (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), all vehicles passing toll roads according to law are exempt from tolls. Collect tolls from 00:00 on 17 February 2020 to the end of the pandemic prevention and control work. On April 28, the Ministry of Transport issued the Announcement on the Resumption of Toll Road Tolls (《關於恢復收費公路收費的公告》), in which it was declared that toll collection of toll roads approved by law will be resumed, starting from 0:00 on 6 May 2020 (including toll bridges and tunnels).

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

1. The charging method of expressway tolls was adjusted from a closed model to an open section fares system, which would be calculated based on the actual driving road of a vehicle;
2. The vehicle type classification of expressway toll is strictly executed in accordance with the industry standard “Vehicle Type Classification of Toll Highway Vehicle Toll” (JT/T489-2019). The relevant adjustment information of vehicle type classification is shown as follows:

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

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

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

(3) Regional development factors

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

(4) Factors in road network changes and road construction

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

Chengyu Expressway: Jianyang Toll Station was closed for construction from 16 July 2019 and was officially opened to traffic on 13 January 2020; Ziyang Toll Station was closed completely from 30 August 2019 and opened to traffic on 13 January 2020 after its relocation was completed; the south side of the Shiziqiao Hub of the Ring Expressway was closed for construction from 27 March 2020 and its north side was closed for construction from 31 July due to the construction of the “east-west thoroughfare” project in Chengdu; Chengziyu Expressway was officially opened on 31 December 2020, which had a certain impact on the traffic volume of Chengyu Expressway. According to the Notice on Standardizing the Toll Collection for the Initial Section of Expressway Around the City” (Sichuan Jiao Han [2020] No. 203) (《關於規範城市週邊高速公路起始路段收費工作的通知》(川交函[2020]203號)), the toll of the expressways should be charged by the method of the shortest sharing mileage. The clean-up and standardization work for Chengyu Expressway was completed before 30 April 2020, and the toll mileage was shortened by 2.75 km; and according to the reply on Approval of Adjustment to Toll Charge Mileage and Charge Section of Chengyu Expressway (Sichuan Jiao Han [2020] No. 583) (《關於成渝高速公路調整收費里程及收費區間的批覆》(川交函[2020]583號)) issued by the Department of Transportation of Sichuan Province and the Development and Reform Commission of Sichuan Province, the section from the original start point of Chengyu Expressway to the 19 km of Longquan Section would no longer set toll station and the toll charge mileage would be adjusted after the official

opening of the new toll station. As of 1 February 2021, the toll station on the new main line of Chengdu-Longquan of Chengyu Expressway was officially opened and the toll charge mileage of Chengyu Expressway was adjusted from 226 km to 207 km. The toll charge for the reduced 19 kilometers of the expressway will be paid by Chengdu Municipal Government by way of service purchase; the amount of the unified payment is RMB40 million per annum; the term for the unified payment shall commence at 00:00 on the day on which the toll station on the main line in Chengdu is completed and put into operation and end on the expiry date of the approval of the toll charge for the section from the starting point of Chengdu-Chongqing Expressway to 19 kilometers of Longquan Section.

Chengle Expressway: On 28 January 2020, Lejia Road, which connects Leshan Shawan, Suji and Jiajiang, was completed and opened to traffic, resulting in a certain decrease in vehicle flow of Chengle Expressway. From 7 May 2020 to 17 May 2020, the section from Jiajiang to Guanyin of Chengle Expressway was half-opening for construction. From 18 May to 31 May, steel box girder crane construction was carried out on the Meishan pilot section, and the entrance and exit to Lecheng of Pengshan Station was closed. On 20 September, the connection of Leshan north toll station and Mianzhu was completed and recovered for traffic; on 2 November, the new Pengshan toll station and connection were officially opened; from 13 October to 5 November, the section from Chengle Expressway K116 to K119 Lecheng direction was closed, thus, the vehicles were bi-directionally passed on one-way traffic in the opposite direction; from 1 December, Guanyintan Station was closed forever. The above events had a certain impact on the traffic volume and toll income of Chengle Expressway.

Chengya Expressway: On 1 April 2019, Ya'andong Station (Jinjiguan) of Chengya Expressway was closed for construction and was officially opened on 5 February 2021; the implementation of winter control from 1 December 2019 to 28 February 2020 of Yakang Expressway had a certain impact on the vehicle flow of Chengya Expressway.

Major financing and investment projects of the Group

(1) Chengle Expressway Expansion Construction Project

On 30 October 2017, the Company convened an extraordinary general meeting, considered and approved the resolutions on investing in the expansion construction project of Chengle Expressway and related matters. According to the reply on approval of the project from the Sichuan Provincial Development and Reform Commission, the total mileage of the project was 138.41km, and the project's estimated total investment was about RMB23.133 billion. While according to the reply on approval of the project from Transportation Department, the total mileage of the project was 130km, and the project's estimated total investment was about RMB22.16 billion. After the completion of the project, it will help ease the traffic pressure on Chengle Expressway, and improve the overall traffic capacity and service level of the Chengle Expressway. On 27 November 2019, the pilot section project for Chengle Expressway expansion completed its established tasks and opened to traffic in two-ways; On 18 December 2019, the new Qinglong Toll Station of Chengle Expressway officially opened to traffic. From the date of construction commencement to 31 December 2020, the cumulative investment amount of Chengle Expressway expansion construction project was about RMB5.007 billion.

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

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

At present, the sale and delivery of the real estate project, namely, Beichengshidai (Phase I) has substantially completed, and the accumulative sales revenue of Phase I amounted to approximately RMB531,189,000 as of 31 December 2020; for the Beichengshidai (Phase II), the Land A project construction is steadily pressed ahead and solid sales is achieved, Land C starts to sell, and Land B has begun pre-bidding, in which, the B1 bidding section has obtained the construction permit on 22 September 2020 and has begun the development and construction. During the Reporting Period, Land A, C (both in Phase II) realized RMB604 million of sales collection, in which, the sales revenue recognised by Land A amounted to RMB476 million.

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	Completed	December 2020	Residential, commercial and parking lots	Site area: 64,882.22 square meters; Construction area: 289,276.7 square meters	91%
Land C of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	24 June 2019	49.34%	Expected to be completed in December 2021	Residential, commercial and parking lots	Site area: 34,381.58 square meters; Construction area: 180,780.32 square meters	91%
Land B1 of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	30 September 2020	43.01%	Expected to be completed in October 2020	Residential, commercial and parking lots	Site area: 50,020.34 square meters; Construction area: 111,856.06 square meters	91%

(3) *Tianqiong Expressway BOT Project*

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

On 4 March 2020, Sichuan Chengqiongya Expressway Company Limited (“Chengqiongya Company”) was established in Qionglai of Sichuan Province as a project company to take charge of the investment, construction and operation of Tianqiong Expressway, with the registered capital of approximately RMB1.737 billion, of which the Company contributed RMB1.42434 billion. From the commencement date of construction to 31 December 2020, an accumulated investment of approximately RMB834 million had been invested in the Tianqiong Expressway Project.

(4) *Tourism Road Project at Dachuan River Scenic Area in Lushan County*

On 29 December 2020, the consortium comprised of Shunan Company, as the leader, and Sichuan Province Commercial Construction Co., Ltd. (四川省商業建設有限公司) won the bid for the Tourism Road Project at Dachuan River Scenic Area in Lushan County.

The Tourism Road Project at Dachuan River Scenic Area in Lushan County is located within Lushan County, Ya’an City and Qionglai City, Sichuan Province. The project includes the construction of a road with a length of 25.43 km and a sand plant, which will be operated in models of construction – transfer (for the road project) and construction – operation – transfer (for the sand plant). The total investment for the project amounted to RMB760 million, among which, the investment for the roads of the scenic area amounted to RMB720 million and the investment for the construction of the sand plant amounted to RMB40 million; the cooperation period of the project is expected to be 8 years.

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

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

(6) *Lushan Tourism Highway Project*

On 4 March 2021, the consortium comprised of Shunan Company, as the leader, and Communications Construction Company (交通建設公司) successfully won the bid for the PPP Project of the construction of tourism road from Longmen, Lushan County to Baosheng to Dachuan.

Lushan Tourism Highway Project in Lushan County is located within Lushan County, Ya'an City and Qionglai City, Sichuan Province. The construction mileage of the project is 8.3 km with an estimated total investment of approximately RMB390 million. The model of BOT (build – operation – transfer) would be adopted for the project.

FINANCIAL REVIEW AND ANALYSIS

Analysis of Operating Results and Financial Position

Summary of the Group's Operating Results

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	8,198,610	7,806,743
Including: Net toll roads and bridges income	3,007,666	3,899,438
Net city operation revenue	3,545,098	1,987,349
Net financial investment revenue	186,695	147,321
Net energy investment revenue	1,459,151	1,772,635
Profit before tax	991,607	1,463,539
Profit attributable to owners of the Company	674,809	1,086,131
	<hr/>	<hr/>
Earnings per share attributable to owners of the Company (<i>RMB</i>)	0.221	0.355
	<hr/> <hr/>	<hr/> <hr/>

Summary of the Group's Financial Position

	31 December 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	40,404,381	37,860,574
Total liabilities	23,870,700	21,706,606
Non-controlling interests	998,647	876,070
Equity attributable to owners of the Company	15,535,034	15,277,898
	<hr/>	<hr/>
Equity per share attributable to owners of the Company (<i>RMB</i>)	5.080	4.996
	<hr/> <hr/>	<hr/> <hr/>

ANALYSIS OF OPERATING RESULTS

Revenue

The Group's net revenue for the year amounted to RMB8,198,610,000 (2019: RMB7,806,743,000), representing a year-on-year increase of 5.02%, of which:

- (1) The net toll roads and bridges income was RMB3,007,666,000 (2019: RMB3,899,438,000), representing a year-on-year decrease of 22.87%, which was mainly due to: (1) the toll-free policy for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to the Notice on the Extension of the Toll Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020年春節假期小型客車通行費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport; (2) according to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic issued by the Ministry of Transport (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), all vehicles passing toll roads according to law are exempt from tolls from 00:00 on 17 February 2020 to the end of the pandemic prevention and control work. On April 28, the Ministry of Transport issued the Announcement on the Resumption of Toll Road Tolls (《關於恢復收費公路收費的公告》), in which it was declared that toll collection of toll roads approved by law will resume, starting from 0:00 on 6 May 2020 (including toll bridges and tunnels). As a result of the foregoing, the toll income (before deduction of turnover taxes) of Chengyu Expressway, Chengya Expressway, Chengren Expressway, Chengle Expressway, Chengbei Exit Expressway, Suiguang-Suixi Expressways decreased significantly in 2020 as compared with that for the same period of last year, representing a year-on-year decrease of 26.39%, 17.18%, 24.53%, 23.73%, 18.77%, 16.91%, 33.36%, respectively. 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) The net city operation revenue was RMB3,545,098,000 (2019: RMB1,987,349,000), representing a year-on-year increase of 78.38%, which was mainly due to that: (1) the construction contract revenue (before deduction of turnover taxes) in respect of service concession arrangements was RMB2,931,715,000 (2019: RMB1,348,375,000), representing a year-on-year increase of 117.43%, which was the construction contract revenue from the project for expansion construction of Chengle Expressway and Tianqiong Expressway BOT Project recognized under the input method; (2) construction contract revenue (before deduction of turnover taxes) in respect of construction works performed for third parties amounted to RMB29,986,000 (2019: RMB302,126,000), representing a year-on-year decrease of 90.08%, which was mainly due to the construction and acceptance of Ziyang Jiaozi Avenue project recognized under the input method was completed last year, and only a small part of the remaining relevant output value of which was recognized during the Period; (3) revenue generated from sales of industrial products was RMB41,543,000 (2019: RMB205,207,000), representing a year-on-year decrease of 79.76%, mainly due to the decrease in revenue from commercial trade business for the year; (4) revenue generated from property development was RMB462,788,000 (2019: RMB31,780,000), representing a year-on-year increase of 1,356.22%, mainly due to the delivery of some residential units on Land A of Beichengshidai (Phase II) for the year, and only the revenue from the rest commercial and parking lots of Phase I was recognised; (5) the revenue of other projects was RMB58,766,000 (2019: RMB67,557,000), representing a year-on-year decrease of 13.01%;
- (3) The net financial investment revenue was RMB186,695,000 (2019: RMB147,321,000), representing a year-on-year increase of 26.73%, which was mainly due to: (1) the increase in rental income resulting from the increase in the amount of financial leasing projects in the Period; (2) the increase in factoring business income in the Period as compared with that for the same period of last year;
- (4) The net energy investment revenue was RMB1,459,151,000 (2019: RMB1,772,635,000), representing a year-on-year decrease of 17.68%, which was mainly due to the combined effect of: (1) the significant impact on sales of naphtha and diesel oil as affected by the pandemic in the year; (2) the decrease in oil price resulting from the fluctuation of international oil price; (3) carrying out bulk trade business in the previous year but no revenue from bulk trade business for the year.

Other Income and Gains

The Group's other income and gains for the year amounted to RMB306,606,000 (2019: RMB269,107,000), representing a year-on-year increase of 13.93%. This was mainly due to the year-on-year increase of the government grants for the period by RMB46,454,000.

Operating Expenses

The Group's operating expenses for the year amounted to RMB6,887,437,000 (2019: RMB5,917,272,000), representing a year-on-year increase of 16.40%, of which:

- (1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB2,931,715,000 (2019: RMB1,348,375,000), representing a year-on-year increase of 117.43%. This mainly included construction contract costs recognized for Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project;
- (2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB6,813,000 (2019: RMB237,825,000), representing a year-on-year decrease of 97.14%. This mainly included the completion and acceptance of Ziyang Jiaozi Avenue project recognised under the input method in the last year and only few part of costs left recognised for the year;
- (3) Depreciation and amortization expenses increased by 6.15% from RMB870,759,000 for the last year to RMB924,354,000 for the year, mainly attributable to amortization for service concession arrangements, depreciation of right-of-use assets and the increase in depreciation of property, plant and equipment;
- (4) The cost of sales of commodities was RMB1,245,582,000 (2019: RMB1,555,010,000), representing a decrease of 19.90% over the last year, which was mainly due to (1) the decrease in the sales of oil products and the corresponding decrease in the sales costs; and (2) the enhanced budget management and cost control during the year;
- (5) The cost of property sales was RMB363,539,000, representing an increase of 1,706.40% over the last year, which was mainly due to the recognition of cost of sales of commercial properties resulting from the delivery of some residential units on Land A of Beichengshidai Phase II this year;

- (6) Staff costs increased by 3.08% from RMB788,550,000 for last year to RMB812,852,000 for the year, mainly due to the increase in the housing fund - defined contribution fund and supplementary pension scheme - defined contribution fund for the year as impacted by the upward rebasing;
- (7) Repair and maintenance costs decreased by 62.89% from RMB506,909,000 for the last year to RMB188,092,000, mainly due to the decrease in the daily maintenance costs of the ancillary facilities of all expressways of the Group for the year as impacted by the pandemic;
- (8) The costs of finance lease was RMB85,015,000 (2019: RMB67,736,000), representing an increase of RMB17,279,000 over the last year, mainly due to the increase in borrowing interests as a result of the increase in the number of finance lease project placed;
- (9) Reversal of impairment loss on financial assets included in other receivables was RMB13,587,000, as compared to reversal of RMB26,847,000 for last year.

Finance Costs

The Group's finance costs for the year amounted to RMB802,554,000 (including: expensed interest expenses of RMB632,911,000), representing a decrease of 3.10% as compared with RMB828,244,000 (including: expensed interest expenses of RMB723,554,000) for the same period last year, mainly due to the decrease in borrowing interest rates as a result of the decrease in overall cost of the financing market as impacted by the pandemic.

Income Tax

The income tax expense of the Group for the year amounted to RMB257,710,000, representing a decrease of approximately 21.97% as compared with RMB330,250,000 for the year of 2019, mainly due to the change in profit.

Profit

The Group's profit for the year amounted to RMB733,897,000, representing a decrease of approximately 35.26% as compared with RMB1,133,289,000 for the same period last year, of which the profit attributable to owners of the Company was RMB674,809,000, representing a decrease of 37.87% as compared to the same period last year. This was mainly due to:

- (1) During the year, due to the impact of the pandemic, the toll-free policy for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020; in addition, all vehicles passing toll roads according to law were exempt from tolls of toll expressways nationwide from 00:00 on 17 February to 24:00 on 5 May. Net toll income decreased by RMB891,772,000 as compared with the last year. Profit of the toll roads and bridges segment was approximately RMB732,036,000, representing a year-on-year decrease of approximately RMB576,778,000;
- (2) Profit of the city operation segment for the year amounted to approximately RMB188,190,000, representing an increase of approximately RMB37,046,000 as compared with the same period last year, which was mainly due to the recognition of the corresponding income and costs resulting from the delivery of some residential units of Beichengshidai Phase II (Land A) at the end of the year;
- (3) Profit of the financial investment segment for the year amounted to approximately RMB72,509,000, representing an increase of RMB27,932,000 as compared with the last year, which was mainly due to the increase in profit of segment in line with the growth in the scale of the new finance lease projects launched during the period;
- (4) Profit of the energy investment segment for the year amounted to approximately RMB157,365,000, representing an increase of approximately RMB6,891,000 as compared with the same period last year, mainly due to the enhanced budget management and cost control during the year.

ANALYSIS OF FINANCIAL POSITION

Non-current Assets

As at 31 December 2020, the Group's non-current assets amounted to RMB31,104,316,000, representing an increase of RMB2,153,936,000 as compared with the end of 2019, mainly attributable to:

- (1) An increase of RMB2,234,554,000 in service concession arrangements which included an increase of approximately RMB3,005,902,000 from Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project, and the provision for amortization of service concession arrangements of approximately RMB771,348,000;
- (2) An increase of RMB41,766,000 in right-of-use assets, mainly due to depreciation and amortization;
- (3) A decrease of RMB26,748,000 in investment in associates and joint ventures mainly due to (1) the decrease in the carrying amount due to the receipt of dividends of 2019 of RMB15,747,000 from the Airport Expressway during the period; (2) the decrease in the carrying amount after the recovery of cost and dividends in a total amount of RMB14,458,000 from Chengyu Development Fund during the period; (3) the increase in carrying amount due to the recognition of investment income in a total amount of RMB6,739,000 during the period; (4) the decrease in carrying amount as a result of the disposal of associates in a total amount of RMB3,282,000;
- (4) A decrease of RMB90,906,000 in financial assets at fair value through other comprehensive income, which was mainly due to the change of fair value of Sichuan Trust Investment Co., Ltd, Sichuan Transportation Construction Group Co., Ltd. and China Everbright Bank;
- (5) An increase of approximately RMB6,925,000 in restricted bank deposits, which were mostly security deposits for mortgage of real estate projects;
- (6) An increase of RMB110,333,000 in loans to customers;
- (7) A decrease of RMB9,657,000 in long term compensation receivables;
- (8) An increase of RMB3,957,000 in property, plant and equipment;
- (9) An increase of approximately RMB747,000 in contract cost, mainly due to the completion and settlement of construction contracts services.

Current Assets and Current Liabilities

As at 31 December 2020, the current assets of the Group amounted to RMB9,300,065,000 representing an increase of 4.38% as compared with the end of 2019, mainly attributable to:

- (1) An increase of RMB228,636,000 in the balance of cash and cash equivalents as compared with the end of 2019, mainly due to the increase in bank loans for the year;
- (2) An increase of approximately RMB83,009,000 in loan to customers due within one year compared with the end of 2019, mainly due to the increase in financial leasing funds receivable (recovery by instalment);
- (3) Trade and other receivables increased by RMB239,742,000 as compared to the end of 2019, mainly due to a decrease in trade receivables (including bills receivable) of RMB256,989,000, an increase in other receivables of RMB42,878,000 and a decrease in prepayment of RMB25,631,000;
- (4) An increase of approximately RMB383,457,000 in property under development and completed properties held as compared with the end of 2019, mainly due to an increase in the transfer of properties under construction;
- (5) An increase of approximately RMB14,852,000 in inventories as compared with the end of 2019, mainly due to a decrease in the pre-purchase for the year of oil products over the last year;
- (6) An increase of RMB7,802,000 in contract costs as compared with the end of 2019, mainly due to the reclassification of the capitalized portion of commission on sales of real estate projects;
- (7) A decrease of RMB73,439,000 in financial assets designated at fair value through current loss and profit as compared with the end of 2019, mainly due to the disposal of investment in shares of China Railway Signal & Communication Corporation Limited during the year.

As at 31 December 2020, the Group's current liabilities amounted to RMB8,934,593,000, representing an increase of 20.81% as compared with the end of 2019, mainly attributable to an increase of RMB67,119,000 in trade and other payables, an increase of RMB369,160,000 in contract liabilities; an increase of RMB18,949,000 in shareholders dividend payable; an increase of approximately RMB65,655,000 in tax payable; an increase of approximately RMB1,018,401,000 in interest-bearing bank and other loans, mainly due to the repayment of approximately RMB3,418,411,000 of short-term borrowings and long-term borrowings due within one year during the period; approximately RMB2,408,400,000 of new current loans, an increase in the reclassification of approximately RMB2,028,412,000 of interest-bearing bank and other loans reclassified as due within one year.

Non-current Liabilities

As at 31 December 2020, the non-current liabilities of the Group amounted to RMB14,936,107,000, representing an increase of 4.37% as compared with the end of 2019, which was principally attributable to an increase of approximately RMB689,957,000 in bank and other interest-bearing loans as compared with that of the end of last year. In particular, the increase in bank and other interest-bearing loans amounted to approximately RMB3,722,313,000, and the amount reclassified as current liabilities amounted to approximately RMB2,028,412,000 during the year, the early repayment of part of long-term borrowings amounted to RMB1,003,944,000 and the contract liabilities for the year amounted to approximately RMB238,080,000, representing an increase as compared with the same period last year, which was mainly due to reclassification of the advances received in real estate projects. The deferred income for the year increased by RMB176,580,000 as compared to the last year, mainly due to the receipt of subsidy for project of cancellation of expressway toll stations at provincial borders.

Equity

As at 31 December 2020, the Group's equity amounted to RMB16,533,681,000 representing an increase of 2.35% as compared with the end of 2019, mainly attributable to: (1) profit of RMB733,897,000 for the year, which increased the equity; (2) a decrease in equity of RMB76,590,000 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 2019 paid in the year amounting to RMB336,387,000, which decreased the equity; (4) payment of dividends of RMB35,125,000 to non-controlling shareholders, which decreased the equity; (5) a decrease in capital surplus of RMB3,282,000 due to dilution of investments in associates, which decreased the equity; and (6) investment by non-controlling shareholders, which increased the carrying value of non-controlling interests of RMB97,200,000.

Capital Structure

As at 31 December 2020, the Group had total assets of RMB40,404,381,000 and total liabilities of RMB23,870,700,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 59.08% (31 December 2019: 57.33%).

Cash Flow

As at 31 December 2020, the cash and bank balances of the Group amounted to RMB3,180,340,000, representing an increase of approximately RMB228,636,000 as compared with the end of 2019. It comprised approximately HKD155,000 (equivalent to approximately RMB131,000) deposits in Hong Kong dollars, and RMB3,180,209,000 cash and deposits in Renminbi.

During the year, net cash outflows from operating activities of the Group amounted to RMB564,341,000 (2019: net cash inflow of RMB607,204,000), representing a decrease of RMB1,171,545,000 in cash inflows compared with the last year, which was mainly because: profit before tax decreased by RMB471,932,000 as compared with the last year; the new service concession arrangements resulted in an increase of RMB1,583,340,000 in cash outflows for the period as compared with the last year; the increase in properties under development resulted in an increase of RMB820,451,000 in cash inflows for the year as compared with the last year; the increase in the properties held for sale resulted in a decrease of RMB831,844,000 in cash outflows compared with the last year; the increase in restricted deposits resulted in a decrease of RMB22,177,000 in cash outflows for the year; cash outflows from loans to customers decreased by RMB642,459,000 compared with the last year; the decrease in trade receivables and other receivables resulted in an increase of RMB1,304,325,000 in net cash inflows for the year compared with the last year; the increase in contract assets and contract costs resulted in an increase of RMB418,112,000 in the cash outflows for the year compared with the last year; the increase in contract liabilities resulted in a decrease of RMB903,194,000 in the net cash inflows for the year compared with the last year; the increase in trade payables and other payables resulted in a decrease of RMB98,137,000 in cash inflows for the year compared with the last year.

Net cash inflow used in investing activities of the Group amounted to RMB66,882,000 (2019: net inflow of RMB689,180,000), with a decrease in net cash inflow of RMB622,298,000 compared with the last year. It was mainly due to the decrease of RMB229,131,000 in cash outflow for the purchase of property, plant and equipment as compared with last year; the decrease of RMB140,642,000 in cash expenses arising from investments in joint ventures and associates as compared with 2019; the increase of RMB70,033,000 in cash inflow for the recovery of financial assets at fair value through profit or loss as compared with the last year; the decrease of RMB39,802,000 in cash outflow for the gain on investment in financial assets at fair value through other comprehensive income as compared with the last year; the decrease of RMB145,688,000 in the recovery of investment costs of joint ventures as compared with the last year; the decrease of RMB943,534,000 in cash inflow from the merger of subsidiaries as compared with the last year because the cash received from investing activities are mainly merged into cash and bank balances of Intermodal Transportation Company as a result of the changes in the consolidation scope during the last period; the increase of RMB8,052,000 in cash flow for the disposal of property, plant and equipment and service concession arrangements as compared to the last year; the decrease of RMB29,252,000 in equity income from associates and joint ventures as compared with the last year; the decrease in pledged time deposits resulted in a decrease of RMB57,258,000 in cash inflows compared with the last year.

Net cash inflow used in financing activities was RMB726,095,000 (2019: net cash outflow of RMB2,002,100,000), representing an increase in net cash outflow of RMB2,728,195,000 as compared with the last year, which was mainly due to a decrease of RMB3,924,443,000 in cash inflow from new bank loans and other loans as compared with the last year; an increase of RMB1,309,409,000 in cash outflow from repayment of bank loans, medium term notes and other loans and payment of lease principal as compared with the last year; an increase of RMB30,581,000 in cash outflow from dividend paid to the owners of the Company compared with the last year; a decrease of RMB30,581,000 in cash outflow from dividend paid to non-controlling shareholders as compared with the last year; a decrease of RMB42,892,000 in cash outflow resulting from dividend payment to non-controlling shareholders as compared with the same period of last year; an increase of RMB41,755,000 in cash outflow from interest paid compared with the last year.

Exchange Fluctuations Risks

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

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

Borrowings and Solvency

As at 31 December 2020, the Company's bank and other interest-bearing borrowings amounted to RMB18,560,297,000, all of which bore fixed interest rates. The balance of domestic bank loans was RMB16,815,000,000, with annual interest rates ranging from 3.10% to 6.40%; the balance of other loans amounted to RMB455,297,000, with annual interest rate ranging from 4.99% to 6.8%; the balance of medium-term notes amounted to RMB290,000,000, with a coupon interest rate of 6.30% per annum; the balance of corporate bonds amounted to RMB1,000,000,000, with an coupon interest rate of 3.48% per annum. The relevant balances are set out as follows:

Interest-Bearing Bank and other Loans

	Total amount	Within 1 year	From 1 year to 5 years	Over 5 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans form domestic banks	16,815,000	3,407,448	4,872,594	8,534,958
Other loans	455,297	152,756	230,057	72,484
Medium-term notes	290,000		290,000	
Corporate bonds	1,000,000	1,000,000		
Total (as at 31 December 2020)	18,560,297	4,560,204	5,392,651	8,607,442
Total (as at 31 December 2019)	<u>16,851,939</u>	<u>3,541,803</u>	<u>5,608,173</u>	<u>7,701,963</u>

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB49,942 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying on businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. As at 31 December 2020, the balance of the syndicated loan for the project amounted to RMB2,102 million.

In 2013, China Development Bank (Sichuan Branch) as leader and other three banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB8,330 million. Such loan is specially used for construction of Suiguang-Suixi Expressways BOT Project. As at 31 December 2020, the balance of the syndicated loan for the project amounted to RMB7,610 million.

Pledge of assets

As at 31 December 2020, the Group's time deposits of RMB15,000,000 (31 December 2019: RMB15,000,000) was pledged for the performance guarantee of road construction project; mortgage security of RMB33,291,000 was provided for North Town Times Project (31 December 2019: RMB29,024,000); the concession right to collect toll pertaining to Chengle Expressway with net carrying value of RMB5,788,278,000 (2019: RMB3,689,688,000) was pledged to secure the syndicated loan amounting to RMB2,590,000,000 (2019: RMB800,000,000); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,470,301,000 (31 December 2019: RMB6,639,158,000) was pledged to secure the syndicated loan amounting to RMB2,101,701,000 (31 December 2019: RMB2,381,264,000); the concession right to collect toll pertaining to Suiguang-Suixi Expressways with net carrying value of RMB11,566,008,000 (31 December 2019: RMB11,817,261,000) was pledged to secure the syndicated loan amounting to RMB7,610,000,000 (31 December 2019: RMB7,910,000); loans to customers with net carrying value of RMB1,318,334,000 (31 December 2019: RMB863,212,000) were used for the pledge of bank loans amounting to RMB681,299,000 (31 December 2019: RMB659,729,000); and the land use right with a total carrying value of RMB499,100,000 (31 December 2019: RMB859,600,000) was pledged to secure bank loans amounting to RMB82,000,000 (31 December 2019: RMB205,000,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2020.

BUSINESS DEVELOPMENT PLAN

Based on the analysis and conclusion of the operating conditions of the Company during the Reporting Period, combined with the forecast and judgement of the economic situation, policy environment and development status of the industry and the Company in 2021, we have formulated the following work plan around the overall development plan of the Fourteenth Five-Year Plan and the specific business objectives of 2021:

1. Striving to promote key transportation projects to constantly expand main business advantages.

The Company will focus on its main business, make use of the traffic advantages and incremental space of the roads under its management, and continuously enhance its core business profitability and market competitiveness. It will adhere to the construction concept of “integration of construction, management, maintenance and operation” and “green intelligence” in the whole life cycle of expressway, strengthen the leadership of the owners, play the role of multi-level external linkage and coordination, scientifically adjust and optimize the design, integrate into the requirements of intelligent expressway construction, improve the precision of budget estimate, strictly control the cost, reasonably arrange the construction period, and complete the annual investment and construction tasks with quality and quantity guaranteed. Meanwhile, it will closely track new projects, increase project acquisition efforts, and strengthen technical management, striving to maximize the investment returns.

2. Steadily developing relevant diversified industry sectors to effectively play a supporting role.

To expand the business, the Company will strive to accelerate diversified innovation, enhance the overall market competitiveness and the ability to benefit the main business in return. It will promote the integration of financial investment, service areas and gas stations in an orderly manner, as well as the construction of transportation technology platform, strengthen the strategic synergy, industrial interaction and resource integration within the Group, ensure the overall economic benefits and comprehensive service quality of the service area operating enterprises, and optimize the operation model and business layout. Moreover, it will continue to explore the potential, increase the efficiency and maintain stable growth of the energy sales enterprises; and it will play the role of investment platform in diversified industry sectors such as finance and urban operation, striving to create “transportation +” projects that meet the development orientation and development requirements of the Group.

3. Deeply strengthening the basic management ability to improve the operational efficiency.

The Company will deepen its “internal strength” and enhance its ability to create efficiency, reduce cost and increase efficiency, and improve financial efficiency. It will comply with the development direction of intelligent expressway, increase its efforts to plug loopholes and increase revenue under the new situation, encourage the transformation and application of scientific and technological achievements and technological innovation, boost the development of green and efficient modern logistics, and promote the complementary advantages of traditional industries and emerging business models. It will strictly control the expenses in the whole business process of “investment, construction, operation and maintenance”, continuously carry out cost reduction actions, and take effective measures such as precise implementation of preventive maintenance to scientifically reduce the comprehensive cost. In addition, it will strengthen the dynamic supervision and comprehensive budget management effectiveness with the “integration of business and finance”, explore the establishment of financial sharing service center, improve the level of financial informatization, build an integrated financial management and control system, improve the efficiency of capital utilization, so as to ensure the safety of funds and the exclusive use of special funds.

4. Coordinating safety and environmental protection with pandemic prevention and control to boost the healthy development of the enterprises.

The Company will build a solid barrier to keep the bottom line of no production safety accidents and environmental protection accidents, and continue to consolidate the “zero infection” pandemic prevention achievements. It will unremittingly strengthen the pandemic prevention and control measures, strictly implement the three simultaneous prevention requirements on “human, material and environment”, and implement and refine the normalization measures of pandemic prevention and control. In addition, it will continuously improve the level of safety management, strengthen the establishment of emergency system, maintain the frequency and intensity of safety education, and enhance the professional quality of safety production staff. It will enhance the construction of environmental protection system, improve the awareness of environmental protection subject, and keep the red line of environmental protection responsibility.

5. Preventing and resolving risks in an all-around way to maintain a stable and positive development momentum.

The Company will strengthen risk control on the scientific and reasonable, pragmatic and practical principles, continuously improve the risk prevention and control system, and benchmark against outstanding enterprises to ensure proper system propaganda and implementation, so as to effectively resolve the stock risks and prevent the incremental risks from multiple dimensions and multiple layers. It will continue to improve the risk control system, plug loopholes and fill shortcomings in a timely manner, and firmly build three lines of defense in term of compliance, internal control and internal audit against operational and investment risks. It will effectively strengthen the implementation of the risk control system, enhance the supervision and control on weak links, key positions and risk-prone areas while improving the propaganda.

6. Comprehensively strengthening the development of corporate culture to make concerted efforts for continuous development.

The Company will strictly carry out corporate governance, strengthen the construction of corporate style, focus on the key minority and the vast majority, and enhance and refine the daily corporate monitoring and performance supervision in various forms of propaganda and education. At the same time, the Company will conduct theme activities to advance the construction of corporate culture, stimulate the group vitality and promote the cohesion of the enterprise.

EVENTS AFTER THE REPORTING PERIOD

On 21 March 2021, the Company received a notice from STIG, the controlling shareholder of the Company, informing that the Sichuan People's Government was planning the strategic restructuring of the STIG Group and SRIG Group. The above strategic restructuring does not involve any significant asset restructuring of the Company at present and will not have any impact on the normal production and operation activities of the Company. Up to date, there is no change of the controlling shareholder of the Company. The Company will make further announcement(s) on the progress of the above proposed strategic restructuring in a timely manner in accordance with the requirements under the Takeovers Code and/or the Listing Rules in the future.

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 Reporting Period.

EMPLOYEES AND THEIR REMUNERATION AND TRAINING

As at 31 December 2020, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,454
Number of in-service employees of major subsidiaries	1,914
Total number of in-service employees	4,368
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	3,063
Sales	32
Technical	502
Financial	144
Administrative	627
Total	<u>4,368</u>

Type of Education Level	Number of People
Postgraduate	197
University graduate	1,376
Junior college graduate	1,815
Technical secondary school and below	980
Total	<u>4,368</u>

Employees' Remuneration

The total remuneration of the Company's employees is correlated with the operating results of the Company. 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 2020, the employees' salary of the Group totaled approximately RMB551,492,450, of which approximately RMB304,928,990 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 has organized various centralized and specific trainings such as operating training for technical staff, and continuing education and training for professional technical staff. The attendance of the Company (including its branches) reached 18,782 person-times.

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

1. Provision A.2.1 of the Code: On 31 December 2019, Mr. Zhou Liming has resigned from the position as the Chairman of the Company due to change in work arrangements. On 17 January 2020, the third meeting of the seventh session of the Board of the Company elected Mr. Gan Yongyi as the Chairman of the Company. Since then, Mr. Gan Yongyi performed the roles of Chairman and General Manager of the Company, which resulted in deviation from the requirement that the role of chairman and chief executive should be separated and should not be performed by the same individual. As of 27 July 2020, the Company held the seventh meeting of the seventh session of the Board, at which Mr. Li Wenhui was appointed as general manager of the Company. Since then, Mr. Gan Yongyi, Chairman and general manager of the Company, has ceased to be general manager of the Company and the Company has complied with the aforementioned code provision.

Audit committee

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

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020 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, 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 noncompliance 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 2020 AGM and to receive the 2020 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 2020 AGM

Deadline for lodging Transfer documents. 4:30 p.m. on 17 May 2021 (Monday)

Closure period of the H Shares. From 18 May 2021 (Tuesday)
register of members to 25 May 2021 (Tuesday)
(both days inclusive)

Record date 25 May 2021 (Tuesday)

Date of the 2020 AGM. 25 May 2021 (Tuesday)

– In respect of the entitlement to 2020 final dividend

Deadline for lodging transfer Documents 4:30 p.m. on 2 June 2021 (Wednesday)

Closure period of the H Shares register From 3 June 2021 (Thursday)
to 7 June 2021 (Monday)
(both days inclusive)

Dividend Entitlement Date 8 June 2021 (Tuesday)

In order to be entitled to attend and vote at the 2020 AGM, and to receive the 2020 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 2020 final dividend to the holders of A Shares and (ii) the holders of A Shares for attending the 2020 AGM.

PUBLICATION OF THE ANNUAL REPORT

The Company's annual report for the year ended 31 December 2020 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

As at the date of this announcement, to the best knowledge of the directors, the information contained in this announcement will be consistent with the information contained in the 2020 annual report of the Company.

DEFINITIONS

2020 AGM	the 2020 annual general meeting of the Company to be held on 25 May 2021 (Tuesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 20 April 2021 (Tuesday)
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
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
Chengqiongya Company	Sichuan Chengqiongya 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
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	Sichuan Chengyu Commercial Factoring Company Limited (previously known as “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	8 June 2021 (Tuesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2020 final dividend of the Company (if approved by the Shareholders at the 2020 AGM)
Group	the Company and its subsidiaries
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of Stock Exchange
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC

Intermodal Transportation Company	Sichuan Multimodal United Transportation Investment and Development Co., Ltd. (四川省多式聯運投資發展有限公司) (previously known as “Sichuan Tianyi United Investment & Development Co., Ltd.” (四川省天乙多聯投資發展有限公司))
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be)
Lushan Tourism Highway Project	the Lushan County Longmen to Baosheng to Dachuan Tourism Highway Construction PPP Project
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 results report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
Renshou Bank	Sichuan Renshou Rural Commercial Bank Co., Ltd.
Renshou Landmark Company	Renshou Trading Landmark Company Limited
Renshou Shunan Company	Renshou Shunan Investment Management Company Limited
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
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited

Shunan Chengxing Company	Ziyang Shunan Chengxing Project Construction & Management Co., Ltd.
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shuxia Company	Sichuan Shuxia Industrial Company Limited
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
SRIG Group	Sichuan Railway Investment Group Co., LTD* (四川省鐵路產業投資集團有限責任公司) and its subsidiaries
SSE	Shanghai Stock Exchange
STIG	Sichuan Transportation Investment Group Corporation Limited, the controlling shareholder of the Company
STIG Group	STIG and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited
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
Takeovers Code	the Code on Takeovers and Mergers as amended from time to time and administered by the Securities and Futures Commission of Hong Kong
Tianqiong Expressway BOT Project	the project of Tianfu New District to Qionglai Expressway BOT (build-operate-transfer) project
Tianqiong Expressway Project	the project of Chengdu Tianfu New Area to Qionglai Expressway
Trading Property Company	Sichuan Trading Property Company Limited (四川交投地產有限公司) (previously known as “Sichuan Trading Landmark Company Limited”)
Transportation Construction Company	Sichuan Transportation Construction Group Co., Ltd. (formerly known as “Sichuan Trading Construction Engineering Co., Ltd.” and “Sichuan Shugong Expressway Engineering Company Limited”)
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited
Zhongxin Company	Sichuan Zhongxin Assets Management Co., Ltd.

By Order of the Board
Sichuan Expressway Company Limited*
Gan Yongyi
Chairman

Chengdu, Sichuan Province, the PRC
30 March 2021

As at the date of this announcement, the Board comprises Mr. Gan Yongyi (Chairman), Mr. Li Wenhui (Vice Chairman), Madam Ma Yonghan, Mr. You Zhiming and Mr. He Zhuqing as executive Directors, Mr. Yang Guofeng (Vice Chairman) and Mr. Li Chengyong as non-executive Directors, Madam Liu Lina, Mr. Gao Jinkang, Mr. Yan Qixiang and Madam Bu Danlu as independent non-executive Directors.

* For identification purposes only