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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- Net revenue increased by approximately 7.70% to approximately RMB8,830,296,000
- Profit attributable to owners of the Company increased by approximately 177.24% to approximately RMB1,870,856,000
- Earnings per share increased by approximately 176.92% to approximately RMB0.612
- Proposed payment of 2021 final cash dividend of RMB0.11 (tax inclusive) (2020: RMB0.08 (tax inclusive)) per share

The Board announces the audited consolidated results of the Group for the year ended 31 December 2021, 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

31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	3,4	8,830,296	8,198,610
Cost of sales		<u>(6,696,983)</u>	<u>(6,472,202)</u>
Gross profit		2,133,313	1,726,408
Other income and gains	4	1,153,472	306,606
Administrative expenses		(367,385)	(352,994)
Other expenses		(88,042)	(62,241)
Finance costs	5	(583,565)	(632,911)
Share of profits and losses of:			
Joint ventures		13,628	14,110
Associates		<u>26,775</u>	<u>(7,371)</u>
PROFIT BEFORE TAX	6	<u>2,288,196</u>	<u>991,607</u>
Income tax expense	7	<u>(337,180)</u>	<u>(257,710)</u>
PROFIT FOR THE YEAR		<u>1,951,016</u>	<u>733,897</u>
Attributable to:			
Owners of the Company		1,870,856	674,809
Non-controlling interests		<u>80,160</u>	<u>59,088</u>
		<u>1,951,016</u>	<u>733,897</u>

		2021	2020
	Notes	RMB'000	RMB'000
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income/ (loss):			
Changes in fair value		237,748	(90,906)
Income tax effect		(34,577)	14,316
		<u>203,171</u>	<u>(76,590)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX			
		<u>203,171</u>	<u>(76,590)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		<u><u>2,154,187</u></u>	<u><u>657,307</u></u>
Attributable to:			
Owners of the Company		2,074,891	596,805
Non-controlling interests		<u>79,296</u>	<u>60,502</u>
		<u><u>2,154,187</u></u>	<u><u>657,307</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	8	<u><u>RMB0.612</u></u>	<u><u>RMB0.221</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		710,177	764,036
Service concession arrangements	9	29,368,853	27,657,591
Right-of-use assets		366,747	416,724
Investments in joint ventures		137,169	137,926
Investments in associates		305,001	289,127
Equity investments designated at fair value through other comprehensive income		449,055	281,883
Loans to customers		1,419,757	1,291,105
Long term compensation receivables		3,351	14,353
Payments in advance		550,980	–
Contract assets		31,000	10,000
Contract costs		–	18,227
Deferred tax assets		15,738	31,014
Interests in land held for property development		–	156,303
Restricted deposits		38	36,027
Total non-current assets		33,357,866	31,104,316
CURRENT ASSETS			
Properties under development		–	1,587,314
Completed properties held for sale		–	969,986
Inventories		63,069	48,989
Loans to customers		1,382,359	1,018,472
Trade and other receivables	10	2,004,388	2,441,430
Contract assets		–	21,000
Contract costs		–	17,040
Financial assets at fair value through profit or loss		417	494
Pledged deposits		–	15,000
Cash and cash equivalents		3,837,070	3,180,340
Restricted deposits		2,328	–
Total current assets		7,289,631	9,300,065

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Tax payable		119,012	136,478
Trade and other payables	11	1,841,903	3,297,114
Contract liabilities		–	911,363
Dividend payables		–	29,434
Interest-bearing bank and other borrowings	12	1,469,173	4,560,204
Derivative financial instruments		2,548	–
Total current liabilities		3,432,636	8,934,593
NET CURRENT ASSETS		3,856,995	365,472
TOTAL ASSETS LESS CURRENT LIABILITIES		37,214,861	31,469,788
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	18,513,140	14,000,093
Deferred tax liabilities		12,995	5,441
Contract liabilities		–	657,856
Deferred income	11	240,265	272,717
Total non-current liabilities		18,766,400	14,936,107
Net assets		18,448,461	16,533,681
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	3,058,060	3,058,060
Reserves	14	14,306,935	12,476,974
		17,364,995	15,535,034
Non-controlling interests		1,083,466	998,647
Total equity		18,448,461	16,533,681

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

(a) (continued)

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

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

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

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;
- (c) the financial investment segment comprises finance lease operation, factoring business and financial investment;
- (d) the energy investment segment comprises the operation of gas stations along expressways, sale of oil products; and
- (e) others segment mainly comprises technology related operations.

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

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

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021

	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>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT REVENUE <i>(note 4)</i>	3,465,849	3,376,423	199,177	1,788,847	–	8,830,296
SEGMENT RESULTS	1,223,489	175,152	102,472	169,840	(92)	1,670,861
<u>Reconciliation:</u>						
Gain on disposal of a subsidiary						899,409
Unallocated income and gains						99,762
Corporate and other unallocated expenses						(381,836)
Profit before tax						<u>2,288,196</u>
SEGMENT ASSETS	31,002,736	2,012,060	3,093,542	232,549	1,964	36,342,851
<u>Reconciliation:</u>						
Equity investments designated at fair value through other comprehensive income						449,055
Financial assets at fair value through profit or loss						417
Deferred tax assets						15,738
Restricted deposits						2,366
Cash and cash equivalents						<u>3,837,070</u>
Total assets						<u>40,647,497</u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2021 (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>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT LIABILITIES	19,348,857	1,357,812	1,425,985	62,234	1,600	22,196,488
Reconciliation:						
Financial liabilities at fair value through profit or loss						2,548
Dividend payables						-
Total liabilities						<u>22,199,036</u>
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	17,143	1,219	8,413	-	-	26,775
Share of profits and losses of joint ventures	11,573	-	2,055	-	-	13,628
Interest expenses	503,665	79,074	211	547	68	583,565
Depreciation and amortisation	925,492	12,511	1,724	16,884	967	957,578
Investments in associates	75,784	73,304	155,913	-	-	305,001
Investments in joint ventures	133,060	-	4,109	-	-	137,169
Capital expenditure*	<u>2,730,651</u>	<u>13,303</u>	<u>67</u>	<u>21,287</u>	<u>10</u>	<u>2,765,318</u>

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

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>	Others <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
<u>Reconciliation:</u>						
Unallocated income and gains						181,773
Corporate and other unallocated expenses						<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
<u>Reconciliation:</u>						
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>	Others <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						23,870,700
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	14,785	1,005	(23,161)	–	–	(7,371)
Share of profits and losses of joint ventures	11,044	–	3,066	–	–	14,110
Interest expenses	574,658	57,536	70	587	60	632,911
Depreciation and amortisation	891,832	12,522	3,318	15,743	939	924,354
Investments in associates	75,125	72,085	141,917	–	–	289,127
Investments in joint ventures	129,380	–	8,546	–	–	137,926
Capital expenditure*	3,101,619	10,911	437	3,389	28	3,116,384

Entity-wide disclosures

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments

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

Geographical market

Revenues under HKFRS 15 are all generated in Mainland China.

Timing of revenue recognition

Goods transferred at a point in time	3,465,849	740,572	1,788,847	5,995,268
Services transferred over time	–	2,610,855	–	2,610,855
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>3,465,849</u>	<u>3,351,427</u>	<u>1,788,847</u>	<u>8,606,123</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 2020

Segments

	Toll roads and bridges <i>RMB'000</i>	City operation <i>RMB'000</i>	Energy investment <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
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	<u>3,007,666</u>	<u>3,524,408</u>	<u>1,459,151</u>	<u>7,991,225</u>

Geographical market

Revenues under HKFRS 15 are all generated in Mainland China.

Timing of revenue recognition

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property development	<u>618,587</u>	<u>462,788</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.

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Construction services

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

Property development

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

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

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

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 <i>RMB'000</i>
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration:		
Wages and salaries	550,038	573,489
Pension scheme contributions* – Defined contribution fund	88,225	46,554
Housing fund – Defined contribution fund	59,434	54,782
Supplementary pension scheme – Defined contribution fund	24,126	22,250
Other staff benefits	130,671	115,777
	<hr/> 852,494	<hr/> 812,852
Employee benefit expense**		
Depreciation of property, plant and equipment	93,273	91,977
Amortisation of service concession arrangements	802,374	771,348
Depreciation of right-of-use assets	61,931	61,029
	<hr/> 957,578	<hr/> 924,354
Depreciation and amortisation expenses		
Construction costs in respect of:		
– Service concession arrangements**	2,500,606	2,931,715
– Construction works performed for other parties**	108,110	6,813
	<hr/> 2,608,716	<hr/> 2,938,528
Construction costs		

6. PROFIT BEFORE TAX (CONTINUED)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of sales of refined oil and petrochemical products	1,565,316	1,245,582
Cost of properties sold	472,121	363,539
Cost of finance lease operation	98,253	85,015
Repairs and maintenance	217,794	188,092
Lease payments not included in the measurement of lease liabilities	4,009	3,591
Reversal of impairment of completed properties held for sale	–	(3,917)
Auditor's remuneration	3,120	3,120
Loss on disposal of items of property, plant and equipment	307	2,576
Loss on disposal of items of service concession arrangements	2,269	–
Impairment loss on loans to customers	52,359	–
Impairment loss on trade receivables	736	50,510
Fair value loss on derivative financial instruments	2,618	89
Impairment loss/(reversal of impairment loss) on financial assets included in other receivables	<u>1,839</u>	<u>(13,587)</u>

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

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

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 2021 and 2020.

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

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

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

7. INCOME TAX (CONTINUED)

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

	2021 RMB'000	2020 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	346,673	276,512
Underprovision/(overprovision) in prior years	(1,583)	1,386
Deferred	<u>(7,910)</u>	<u>(20,188)</u>
Total tax charge for the year	<u>337,180</u>	<u>257,710</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 (2020: 3,058,060,000) in issue during the year.

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

9. SERVICE CONCESSION ARRANGEMENTS

- (a) At 31 December 2021, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 12(a)):

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

- (b) During the year, the Group was in the construction of the Chengle Expressway Expansion Construction Project, Tianqiong Expressway Build-Operate-Transfer (“**BOT**”) Project and Chengya Oil Meishan Gas Station Construction Project. Total costs of RMB2,700,975,000 (2020: RMB3,005,902,000) including construction costs of RMB2,500,606,000 and capitalised borrowing costs of RMB200,369,000 were incurred, among which RMB2,500,606,000 (2020: RMB2,931,715,000) was sub-contracted to third party subcontractors.
- (c) Construction revenue of RMB2,500,606,000 (2020: RMB2,931,715,000) was mainly recognised in respect of the construction service provided by the Group for the Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Chengya Oil Meishan Gas Station Construction Project using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the Group is granted the rights to charge the users under the service concession arrangements of the above-mentioned projects.
- (d) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB200,369,000 (2020: RMB74,187,000) (note 5).

10. TRADE AND OTHER RECEIVABLES

		2021	2020
	Notes	RMB'000	RMB'000
Trade receivables			
Trade receivables		1,726,499	1,972,178
Impairment		(51,246)	(50,510)
		<u>1,675,253</u>	<u>1,921,668</u>
Trade receivables, net	(a)	1,675,253	1,921,668
Bills receivable		–	35,714
		<u>1,675,253</u>	<u>1,957,382</u>
Other receivables			
Deposit and other receivables	(b)	375,812	517,994
Impairment	(c)	(97,103)	(95,264)
		<u>278,709</u>	<u>422,730</u>
Prepayments		50,426	61,318
		<u>329,135</u>	<u>484,048</u>
Other receivables, net		329,135	484,048
Total trade and other receivables		<u><u>2,004,388</u></u>	<u><u>2,441,430</u></u>

Notes:

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

The term of commercial factoring contracts ranged from one year to two years since the effective date of the relevant factoring contracts. The Group's credit terms of trade receivables arising from commercial factoring are generally on 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 RMB1,097,114,000 as at 31 December 2021 (2020: RMB853,012,000) are to be settled by instalments within two to thirteen years upon completion of the relevant construction works and bear interest at rates of ranging from 4.75% to 14.98% (2020: 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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	928,478	1,048,515
3 to 6 months	51	21,555
6 to 12 months	1,459	63,199
Over 1 year	745,265	788,399
	1,675,253	1,921,668

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(a) (continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	50,510	–
Impairment losses (<i>note 6</i>)	<u>736</u>	<u>50,510</u>
At end of year	<u><u>51,246</u></u>	<u><u>50,510</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 2021, the Group's major receivables are from government agencies, state-owned enterprises and a number of diversified customers. In view of the history of business dealings with the debtors and the sound collection history of the receivables and loans to customers due from them, the Group believes that there is no significant credit risk with these receivables. Management keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis based on historical payment records, the length of the overdue period, background and reputation of the debtors, the financial strength of the debtors and whether there are any disputes with the debtors. Except for the loss allowance for impairment of trade receivables mentioned above, no additional ECL was provided as the directors consider that the expected credit risks of these receivables are minimal.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) The Group's deposits and other receivables at 31 December 2021 are analysed as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Up-front payment of construction contracts	25,119	–
Interest receivables on temporary advances and construction revenue	5,505	6,038
Long-term compensation receivables to be received within one year	11,002	9,658
Toll income receivables	100,398	167,452
Deductible input value-added tax	82,871	138,321
Deposits	7,495	14,943
Miscellaneous	143,422	181,582
	<u>375,812</u>	<u>517,994</u>
Impairment allowance	(97,103)	(95,264)
	<u><u>278,709</u></u>	<u><u>422,730</u></u>

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	95,264	108,851
Provision for/(reversal of) loss allowance (note 6)	<u>1,839</u>	<u>(13,587)</u>
At end of year	<u><u>97,103</u></u>	<u><u>95,264</u></u>

An impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining the ECLs for other receivables, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Except for certain disputed other receivables which had been fully impaired, the Group has assessed and concluded that the risk of default rate for the other instruments was minimal as at 31 December 2021 since the counterparties to these instruments have a high credit rating.

11. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	(a)	34,684	406,030
Other payables	(b)	1,725,297	2,799,893
Accruals		53,299	57,871
Deferred income		268,888	306,037
		<hr/>	<hr/>
Non-current portion		2,082,168 (240,265)	3,569,831 (272,717)
		<hr/>	<hr/>
Portion clarified as current liabilities		1,841,903	3,297,114
		<hr/> <hr/>	<hr/> <hr/>

Notes:

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	12,613	344,161
3 to 6 months	13,246	3,293
6 to 12 months	338	658
Over 1 year	8,487	57,918
	<hr/>	<hr/>
	34,684	406,030
	<hr/> <hr/>	<hr/> <hr/>

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

11. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Advances	39,411	33,038
Inter-network toll collection	43,547	35,851
Payroll and welfare payables	230,739	239,882
Taxes and surcharge payables	32,066	41,710
Progress billing payables	787,163	1,513,015
Retention payables	168,164	350,447
Deposits	177,546	202,950
Others	246,661	383,000
	<u>1,725,297</u>	<u>2,799,893</u>

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
	<i>Notes</i>		
Bank loans:			
– Secured	(a)	15,301,870	13,065,000
– Unsecured		3,170,000	3,750,000
Medium term notes	(b)	1,290,000	1,290,000
Other borrowings, unsecured		–	112,240
Other borrowings, secured		72,653	182,652
Lease liabilities		147,790	160,405
		<u>19,982,313</u>	<u>18,560,297</u>

At the end of the reporting period, except for a bank loan of RMB90,591,000 denominated in US\$, all other interest-bearing bank and other borrowings of the Group were denominated in RMB.

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

(a) Bank loans were secured by:

	<i>Notes</i>	2021 RMB'000	2020 RMB'000 <i>(Bank loan amount)</i>
Secured by concession rights of:	9(a)		
Chengle Expressway		4,385,230	2,590,000
Chengren Expressway		1,828,353	2,101,701
Tianqiong Expressway		667,000	–
Suiguang Expressway and Suixi Expressway		7,210,000	7,610,000
		14,090,583	12,301,701
Secured by loans to customers		1,211,287	681,299
Secured by land use rights		–	82,000
		15,301,870	13,065,000

The bank loans bear interest at rates of ranging from 2.23% to 6.4% (2020: 3.10% to 6.4%) per annum.

(b) As at 31 December 2021, the Company had two (2020: two) tranches of outstanding medium term notes totalling RMB1,290,000,000 (2020: RMB1,290,000,000) issued to domestic institutional investors participating in the PRC interbank debt market. The effective interest rates for these medium term notes range from 3.49% to 6.30% (2020: 3.56% to 6.30%) per annum. These medium term notes were issued at a par value of RMB100 per unit, and will be repaid in July 2024 and May 2026, respectively, with an original maturity period of five years.

13. ISSUED CAPITAL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Issued and fully paid:		
A Shares of 2,162,740,000 (2020: 2,162,740,000) of RMB1.00 each	2,162,740	2,162,740
H Shares of 895,320,000 (2020: 895,320,000) of RMB1.00 each	895,320	895,320
	<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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final – RMB0.110 (2020: RMB0.080) per ordinary share	<u>336,387</u>	<u>244,645</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 2021, the net revenue of the Group amounted to approximately RMB8,830,296,000, representing an increase of approximately 7.70% as compared with last year; the profit attributable to owners of the Company amounted to approximately RMB1,870,856,000, representing an increase of approximately 177.24% as compared with last year; and basic earnings per Share were approximately RMB0.612 (2020: approximately RMB0.221).

As at 31 December 2021, the Group's total assets and net assets were approximately RMB40,647,497,000 and RMB18,448,461,000, 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 2021 of RMB0.11 per ordinary share (tax inclusive), aggregating to approximately RMB336,387,000, representing 39.63% 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 18.00% of the profit attributable to the owners of the Company (calculated in accordance with the PRC Accounting Standards) in the consolidated financial statements.

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

(1) Industry and characteristics of the listed company

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

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

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

(3) Capital Requirements of the Company

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

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

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

The proposed dividend is subject to approval at the forthcoming 2021 Annual General Meeting of the Company. If approved, the final dividend is expected to be paid on or around Thursday, 14 July 2022 to the Shareholders whose names appear on the H Shares register of members of the Company on Tuesday, 14 June 2022 (the “**Dividend Entitlement Date**”). In respect of the arrangement in relation to the closures of H Shares register of members for the purposes of determining the Shareholders' entitlement to attend the 2021 AGM and to receive the 2021 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

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (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 (財稅[2014] 81號)), for dividends received by domestic individual investors and securities investment funds from investing in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. Such mainland enterprises shall declare and pay taxes by themselves in respect of such dividends, which will not be withheld by such H share company.

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

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

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

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

- Note 1:* When calculating the profits of Chengyu Branch, Chengya Branch and Chengren Branch, the impact of income tax (15%) was taken into account.
- Note 2:* Chengyu Branch, Chengya Branch and Chengren Branch recorded an increase of 9.07%, 28.75% and 12.91%, respectively, in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded an increase of 14.32%, 66.50% and 33.36%, respectively, in the profit for the year as compared with that of last year, which was mainly due to: the toll-free policy for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to the Notice on the Extension of the Toll Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020年春節假期小型客車通行費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport due to the impact of the COVID-19 pandemic during the previous year; according to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic issued by the Ministry of Transport (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), all vehicles passing toll roads according to law are exempt from tolls from 00:00 on 17 February 2020 to 24:00 on 5 May 2020. During the year, toll collection of toll roads resumed. The income and profit of Chengyu Branch, Chengya Branch and Chengren Branch increased as compared with the previous year. However, as Chengyu Expressway and Chengren Expressway were affected by the diversion of traffic flow by neighbouring expressways, toll revenue and profits did not increase as much as those of Chengya Branch.
- Note 3:* Chengle Expressway recorded a decrease of RMB45,889,000 or 12.13% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, mainly due to the decrease in toll income and profit of Chengle Expressway resulting from the impact of half-width closure due to the need for construction.
- Note 4:* Chengbei Expressway recorded an increase of RMB35,102,000 or 40.28% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year and an increase in profit of RMB21,254,000 or 64.31% over the previous year, mainly due to the impact of the COVID-19 pandemic during the previous year, however, during the year, the toll collection of the toll roads resumed.
- Note 5:* Suiguang-Suixi Company recorded an increase of RMB77,562,000 or 27.43% in the toll income (after deduction of turnover taxes), and a decrease of RMB28,074,000 in the losses for the year as compared with that of last year, mainly due to the impact of the COVID-19 pandemic during the previous year, however, during the year, the toll collection of the toll roads resumed, and the toll income was partially offset by the amortization for service concession arrangements and the increase in repair and maintenance costs.
- Note 6:* Shunan Company did not recognize the income of relevant output value of the projects due to the progress of settlement.
- Note 7:* Renshou Shunan Company reduced income by RMB1,570,000 due to the reduction in work amount after audit.
- Note 8:* Shunan Chengxing Company recorded a decrease of 67.67% in the income for the year as compared with that of last year, which was mainly due to the decrease in the income for the current period as most of the projects had been completed for auditing and the output value recorded a decrease.

- Note 9:* Lushan Shuhan Company recorded an income of RMB96,155,000 and a profit of RMB7,184,000 for the year, mainly due to the recognition of the income and profit of construction contracts of the tourist highway project in the Dachuanhe scenic spot in Lushan County.
- Note 10:* Shuhong Company recorded a profit of RMB2,334,000 for the year, representing a decrease in loss of RMB11,990,000 as compared with that of last year, which was mainly due to the recognition of other income and earnings resulting from the disposal of Hongrui International Plaza.
- Note 11:* Shuxia Company recorded an increase of RMB48,239,000 or 82.45% in income for the year as compared with that of the previous year and an increase of RMB14,313,000 or 117.04% in profit for the year as compared with that of the previous year, mainly due to the consolidation of service areas and business expansion during the year, leading to a year-on-year increase in income and profit.
- Note 12:* Chengyu Advertising Company recorded an increase of 48.05% in the income for the year as compared with that of last year, and an increase of 72.98% in the loss as compared with that of last year, which was mainly due to the increase in advertising release income, however, due to the removal of part of high-quality media facilities in last year, during the year, the increase in the cost of leasing media led to the increase in losses.
- Note 13:* Multimodal Transport Company recorded a decrease of 90.27% in the profit for the year as compared with that of last year, mainly due to the decrease in the income from commercial trade business, plus a decrease in the profit for the year as a result of the reversal of expected credit losses during the previous year, however, there was no such reversal during the year.
- Note 14:* Commercial Factoring Company recorded a decrease of 94.69% in the income for the year and a decrease of 97.09% in losses as compare with last year, mainly due to the significant shrink in the scale of factoring business during the year, however, as a result of the provision for the expected credit losses during last year but no such provision in the year, the losses for the year decreased.
- Note 15:* Shuhai Company recorded an increase of RMB1,666,000 in the losses for the year as compared with that of last year, mainly due to the increase in staff costs in the year, as compared with preferential social insurance premiums amid the COVID-19 pandemic in the previous year.
- Note 16:* Chengya Oil Company recorded an increase of RMB202,385,000 or 40.24% in the income for the year as compared with that of the previous year, mainly due to the year-on-year increase in the selling price of refined oil products as a result of the influence of macro-control of oil prices during the year and the year-on-year increase in the sales volume of refined oil products during the year.
- Note 17:* Renshou Landmark Company recorded an increase of 33.67% in the sales income for the year and an increase of RMB19,870,000 in the profit for the year due to the increase in the delivery of residential units of Land A of Beichengshidai (Phase II) during the year.
- Note 18:* Chengyu Financial Leasing Company recorded a decrease of RMB30,097,000 or 59.63% in the profit for the year as compared with that of last year, mainly due to the provision for the expected credit losses during the year.

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

Notes:

1. The average daily traffic flow of expressways owned by the Group for the year was based on the traffic flow of main line toll gantries, whereas the average daily traffic flow of expressways in 2020 was based on the traffic flow of both toll stations and main line toll gantries. The calculation of the average daily traffic flow in 2020 excluded the traffic flow during the toll-free period amid the outbreak of COVID-19, and included only the traffic flow from 6 May 2020 to 31 December 2020.
2. Due to the outbreak of COVID-19 in the first half of 2020, during the period from 0: 00 on 17 February 2020 to 0: 00 on 6 May 2020, the policy of the Ministry of Transport on toll free was implemented, which resulted in a lower toll revenue in 2020.

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

(1) *Economic factors*

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

(2) *Policy factors*

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

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

(3) *Regional development factors*

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

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

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

Chengyu Expressway: According to the Notice on Standardizing the Toll Collection for the Initial Sections of Expressways Around the City” (Sichuan Jiao Han [2020] No. 203) (《關於規範城市周邊高速公路起始路段收費工作的通知》(川交函[2020]203號)), the toll of the expressways should be charged by the method of the shortest sharing mileage. The cleanup and standardization work for Chengyu Expressway was completed in 2020, and the toll mileage was shortened by 2.75 kilometers (km). According to the Reply on Approval of Adjustment to Toll Charge Mileage and Charge Section of Chengyu Expressway (Sichuan Jiao Han [2020] No. 583) (《關於成渝高速公路調整收費里程及收費區間的批覆》(川交函[2020]583號)) issued by the Department of Transportation of Sichuan Province and the Development and Reform Commission of Sichuan Province, the section from the original start point of Chengyu Expressway to the 19 km of Longquan Section would no longer set toll station and the toll charge mileage would be adjusted after the official opening of the new toll station. As of 1 February 2021, the toll station on the new main line of Chengdu-Longquan of Chengyu Expressway was officially opened and the toll charge mileage of Chengyu Expressway was adjusted from 226 km to 207 km. The tolls in respect of the reduced 19 km of the expressway will be paid by Chengdu Municipal Government by way of service purchase in the amount of RMB40 million per annum for the period commencing at 00:00 on the day on which the toll station on the main line in Chengdu is completed and put into operation and ending on the

expiry date of the approval for toll charge for the section from the starting point of Chengdu-Chongqing Expressway to 19 km of Longquan Section. In addition, as a result of the construction of the “east-west thoroughfare” project in Chengdu, the traffic volume of related sections was decreased. Chengziyu Expressway was officially opened on 31 December 2020, and it was toll-free (except that the Chengdu Tianfu International Airport-Tongnan (Sichuan-Chongqing Boundary) section was toll-free before 9 July 2021, and Chengdu Tianfu International Airport expressway south line was toll-free since 14 October), which had a certain impact on the traffic volume and toll income of Chengyu Expressway.

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

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

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

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

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

Major financing and investment projects of the Group

(1) Chengle Expressway Expansion Construction Project

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

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

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

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

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

(3) *Tianqiong Expressway BOT Project*

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

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

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

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

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

(5) Lushan Tourism Highway PPP Project

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

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

FINANCIAL REVIEW AND ANALYSIS

Analysis of Operating Results and Financial Position

Summary of the Group's Operating Results

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

Summary of the Group's Financial Position

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

ANALYSIS OF OPERATING RESULTS

Revenue

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

- (1) The net toll roads and bridges income was RMB3,465,849,000 (2020: RMB3,007,666,000), representing a year-on-year increase of 15.23%, which was mainly due to, as affected by the pandemic of previous year, the free time travel for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to requirements of the Notice on the Extension of the Free Period for Small Passenger Cars during the Spring Festival Holiday of 2020 (《關於延長2020年春節假期小型客車免費時段的通知》) and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday (《關於延長春節假期收費公路免收小型客車通行費時段的通知》) issued by the Ministry of Transport, and according to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic issued by the Ministry of Transport 《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》, all vehicles passing toll roads according to law are exempt from vehicle toll fees from 00:00 on 17 February 2020 to 24:00 on 5 May 2020. The toll road tolls was resumed, for which, Chengyu Expressway, Chengya Expressway, Chengren Expressway, Chengbei Exit Expressway, Suiguang-Suixi Expressways was recorded an increase during the year as compared with that for the same period of last year, representing a year-on-year increase of 9.49%, 28.90%, 13.30%, 40.18%, 18.35%, 45.06%, respectively in terms of the toll income (before deduction of turnover taxes) in 2021. The toll income (before deduction of turnover taxes) of Chengle Expressway in 2021 recorded a year-on-year decrease of 11.59% due to half-length closed construction. Please refer to operating conditions of the toll roads and bridges businesses of the Group in this announcement for details of the main factors affecting the toll income of the Group during the Reporting Period;
- (2) The net city operation revenue was RMB3,376,423,000 (2020: RMB3,545,098,000), representing a decrease of 4.76% compared with the previous year, which was mainly due to that: (1) the construction contract revenue (before deduction of turnover taxes) in respect of service concession arrangements was RMB2,500,606,000 (2020: RMB2,931,715,000), representing a decrease of 14.71% compared with the previous year, which was the construction revenue from the project for expansion construction of Chengle Expressway, Tianqiong Expressway BOT Project and Meishan Gas Station Construction Project of Chengya Oil recognized under the input method; (2) construction contract revenue (before deduction of turnover taxes) in respect of construction works performed for third parties amounted to RMB114,364,000 (2020: RMB29,986,000),

representing an increase of 281.39% compared with the previous year, which was mainly due to the income related to the output value of the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County recognized under the input method during the year; (3) revenue generated from sales of industrial products was RMB59,204,000 (2020: RMB41,543,000), representing an increase of 42.51% compared with the previous year, mainly due to the increase in revenue from commercial trade business for the year; (4) revenue generated from property development was RMB618,587,000 (2020: RMB462,788,000), representing an increase of 33.67% compared with the previous year, mainly due to the increased delivery of residential units on Land A of Beichengshidai (Phase II) for the year, and the increased revenue from sale of commercial property was recognised; (5) the revenue of other projects was RMB62,781,000 (2020: RMB58,766,000), representing an increase of 6.83% compared with the previous year;

- (3) The net financial investment revenue was RMB199,177,000 (2020: RMB186,695,000), representing an increase of 6.69% compared with the previous year, which was mainly due to: the increase in rental income resulting from the increase in the amount of financial leasing projects in the year;
- (4) The net energy investment revenue was RMB1,788,847,000 (2020: RMB1,459,151,000), representing an increase of 22.60% compared with the previous year, which was mainly due to the combined effect of: (1) the year-on-year increase in the selling price of refined oil as affected by the macro-control of oil prices during the year; (2) the year-on-year increase in sales volume of refined oil.

Other Income and Gains

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

Operating Expenses

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

- (1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB2,500,606,000 (2020: RMB2,931,715,000), representing a year-on-year decrease of 14.71%. This mainly included construction costs recognized for Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Meishan Gas Station Construction Project of Chengya Oil;
- (2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB108,110,000 (2020: RMB6,813,000), representing a year-on-year increase of 1486.82%, mainly attributable to the cost related to the output value of the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County;
- (3) Depreciation and amortization expenses increased by 3.59% from RMB924,354,000 for the last year to RMB957,578,000 for the year, mainly attributable to amortization for service concession arrangements, depreciation of right-of-use assets and the increase in depreciation of property, plant and equipment;
- (4) The cost of sales of refined oil and chemical products was RMB1,565,316,000 (2020: RMB1,245,582,000), representing an increase of 25.67% over the last year, which was mainly due to the increase in unit price and sales volume of refined oil and the corresponding increase in the sales costs during the year;
- (5) The cost of property sales was RMB472,121,000, representing an increase of 29.87% over the last year, which was mainly due to the recognition of the increased cost of sale of commercial properties resulting from the increased delivery of residential units on Land A of Beichengshidai (Phase II) for the year;
- (6) Staff costs increased by 4.87% from RMB812,852,000 for last year to RMB852,494,000 for the year, mainly due to the impact of social insurance premium relief policies during the epidemic in the previous year;
- (7) Repair and maintenance costs increased by 15.79% from RMB188,092,000 for the last year to RMB217,794,000, which was the daily maintenance costs of the ancillary facilities of all expressways of the Group;

- (8) The costs of finance lease was RMB98,253,000 (2020: RMB85,015,000), representing an increase of 15.57% over the last year, mainly due to the increase in borrowing interests as a result of the increase in the number of finance lease project placed;
- (9) Impairment loss on financial assets included in other receivables was RMB1,839,000 (reversal in 2020: RMB13,587,000) during the period.

Finance Costs

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

Income Tax

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

Profit

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

- (1) The profit of the toll roads and bridges segment for the year was approximately RMB1,223,489,000, representing an increase of approximately RMB491,453,000 as compared with last year, which was mainly due to the impact of the epidemic policies on expressways in the previous year, the toll-free time for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020; in addition, all vehicles passing toll roads according to law were exempt from tolls of toll expressways nationwide from 00:00 on 17 February 2020 to 24:00 on 5 May 2020. During the period, the pandemic prevention and control was trended to be normal, and toll roads was resumed, and the toll income (before deduction of turnover taxes) increased by RMB470,971,000 as compared with the same period of last year;
- (2) Profit of the city operation segment for the year amounted to approximately RMB175,152,000, representing a decrease of approximately RMB13,038,000 as compared with the same period last year, which was mainly due to (1) the decrease in the calculation base of investment income as a result of the collection of payments from the audited projects during the year, resulting in a corresponding decrease in the recognition of interest income and investment income; (2) the decrease in revenue from commercial trade business this year, plus a year-on-year decrease in profit as a result of the expected credit loss reversed in last year (but not occurred this year);
- (3) Profit of the financial investment segment for the year amounted to approximately RMB102,472,000, representing an increase of RMB29,963,000 as compared with the last year, which was mainly due to the increase in profit of segment in line with the growth in the scale of the new finance lease projects launched during the period;
- (4) Profit of the energy investment segment for the year amounted to approximately RMB169,840,000, representing an increase of approximately RMB12,475,000 as compared with the same period last year, mainly due to the year-on-year increase in the selling price of refined oil as a result of the macro-control of oil price; (2) the optimized settlement method of refined oil procurement by Zhonglu Energy Company during the year.

ANALYSIS OF FINANCIAL POSITION

Non-current Assets

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

- (1) An increase of RMB1,711,262,000 in service concession arrangements as compared with the end of 2020 which included an increase of approximately RMB2,700,975,000 from Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Meishan Gas Station Construction Project of Chengya Oil, and the provision for amortization of service concession arrangements of approximately RMB802,374,000;
- (2) A decrease of RMB49,977,000 in right-of-use assets as compared with the end of 2020, mainly due to depreciation and amortization;
- (3) Property, plant and equipment decreased by RMB53,859,000 as compared with the end of 2020, mainly due to the provision for depreciation;
- (4) An increase of RMB15,117,000 in investment in associates and joint ventures as compared with the end of 2020 mainly due to (1) the decrease in carrying amount due to the profit distribution of RMB16,484,000 for 2020 declared by Airport Expressway during the year; (2) the decrease in carrying amount due to the receipt of dividends in a total amount of RMB7,938,000 from the Chengyu Development Fund Project and Zhongxin Company during the year; (3) the decrease in carrying amount due to the receipt of dividends in a total amount of RMB579,000 from Renshou Bank during the year; (4) the increase in carrying amount due to the recognition of investment income in a total amount of RMB40,403,000 during the year; (5) the decrease of carrying amount of RMB285,000 due to dilution of investment by Zhongxin Company;
- (5) An increase of RMB167,172,000 in financial assets at fair value through other comprehensive income as compared with the end of 2020, which was mainly due to the change of fair value of Sichuan Transportation Construction Group Co., Ltd.;

- (6) A decrease of approximately RMB35,989,000 in restricted bank deposits as compared with the end of 2020, which was mainly due to the disposal of Renshou Landmark Company during the year, resulting the exclusion of scope of consolidation for deposits for mortgage of real estate projects;
- (7) An increase of RMB128,652,000 in loans to customers as compared with the end of 2020, which was mainly due to the increase in finance lease projects and the increase in finance lease receivables (repayment by instalments);
- (8) A decrease of RMB156,303,000 for land held by property development as compared with the end of 2020, mainly due to the disposal of Renshou Landmark Company during the year, resulting the exclusion of scope of consolidation for the land held by property development;
- (9) A decreased of RMB18,227,000 for contract costs as compared with the end of 2020, mainly due to the reclassification of the capitalized part of sales commission of real estate projects;
- (10) A decrease of RMB11,002,000 for long term compensation receivables.

Current Assets and Current Liabilities

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

- (1) There were no properties under development and completed properties held for sale at the end of the year, mainly due to the disposal of Renshou Landmark Company;
- (2) An increase of RMB656,730,000 in the balance of cash and cash equivalents as compared with the end of 2020, mainly due to the cash inflow from the disposal of certain equity interests and assets due to the optimization of business structure for the year;
- (3) An increase of approximately RMB363,887,000 in loan to customers due within one year compared with the end of 2020, mainly due to the increase in financial leasing funds receivable due within one year (recovery by instalment);
- (4) Trade and other receivables decreased by RMB437,042,000 as compared to the end of 2020, mainly due to a decrease in trade receivables (including bills receivable) of RMB282,129,000, a decrease in other receivables of RMB144,021,000 and a decrease in prepayment of RMB10,892,000;

- (5) An increase of approximately RMB14,080,000 in inventories as compared with the end of 2020, mainly due to an increase in the pre-purchase for the year of oil products for the year;
- (6) A decrease of approximately RMB17,040,000 in contract costs as compared with the end of 2020, mainly due to the disposal of Renshou Landmark Company during the year, resulting the exclusion of scope of consolidation for the contract costs related to real estate business;
- (7) A decrease of RMB15,000,000 for pledged time deposits as compared with the end of 2020, mainly due to no time deposits pledged for the performance guarantee of road construction projects during the year;

As at 31 December 2021, the Group's current liabilities amounted to RMB3,432,636,000, representing a decrease of 61.61% as compared with the end of 2020, mainly attributable to a decrease of RMB1,455,211,000 in trade and other payables, a decrease of RMB911,363,000 in contract liabilities; a decrease of RMB29,434,000 in shareholders dividend payable; a decrease of approximately RMB17,466,000 in tax payable; an decrease of approximately RMB3,091,031,000 in interest-bearing bank and other loans, mainly due to the repayment of approximately RMB4,841,348,000 of short-term borrowings and long-term borrowings due within one year during the year; an increase of approximately RMB499,000,000 for current loans, an increase in the reclassification of approximately RMB1,304,475,000 for bank loans and medium term notes reclassified as due within one year, and a decrease of RMB53,158,000 for other borrowings, finance lease payables and lease liabilities.

Non-current Liabilities

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

Equity

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

Capital Structure

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

Cash Flow

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

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

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

Net cash inflow used in financing activities was RMB840,177,000 (2020: net cash inflow of RMB726,095,000), representing an increase in net cash inflow of RMB114,082,000 as compared with the last year, which was mainly due to an increase of RMB112,215,000 in cash inflow from new bank loans and other loans as compared with the last year; a decrease of RMB102,555,000 in cash outflow from repayment of bank loans, medium term notes and other loans and payment of lease principal as compared with the last year; a decrease of RMB91,742,000 in cash outflow from

dividend paid to the owners of the Company compared with the last year; an increase of RMB44,878 in cash outflow from dividend paid to non-controlling shareholders as compared with the last year; a decrease of RMB151,749,000 in cash outflow from interest paid compared with the last year; a decrease of RMB94,191,000 in cash inflow received from investment from non-controlling shareholders as compared with the last year.

Exchange Fluctuations Risks

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

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

Borrowings and Solvency

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

Interest-Bearing Bank and other Loans

	Total	Within	Within	Over
	RMB'000	1 year	1 year to	5 years
		RMB'000	5 years	RMB'000
			RMB'000	RMB'000
Loans form banks	18,471,870	1,369,575	4,736,759	12,365,536
Other loans	220,443	99,598	68,779	52,066
Medium-term notes	<u>1,290,000</u>	<u> </u>	<u>1,290,000</u>	<u> </u>
Total (as at 31 December 2021)	<u>19,982,313</u>	<u>1,469,173</u>	<u>6,095,538</u>	<u>12,417,602</u>
Total (as at 31 December 2020)	<u><u>18,560,297</u></u>	<u><u>4,560,204</u></u>	<u><u>5,392,651</u></u>	<u><u>8,607,442</u></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 RMB48,140 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. In 2019, China CITIC Bank Corporation Limited (Chengdu Branch) transferred the entire loan balance under the Syndicated Contract to China Construction Bank Corporation (Sichuan Branch), and China Construction Bank Corporation (Sichuan Branch) became the leader in 2020. As at 31 December 2021, the balance of the syndicated loan for the project amounted to RMB1,828 million.

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

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

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

Pledge of assets

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

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

BUSINESS DEVELOPMENT PLAN

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

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

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

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

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

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant event after the Reporting Period that requires additional disclosures or might affect the Group.

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 2021, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,366
Number of in-service employees of major subsidiaries	1,837
Total number of in-service employees	4,203
Number of retired or resigned employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	Nil

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

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

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 2021, the employees' salary of the Group totaled approximately RMB564,345,900, of which approximately RMB312,572,800 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 (including childbirth), unemployment, work related injury, supplementary critical illness mutual insurance, supplementary medical insurance and employer liability insurance have been paid in full by the Company for the employees. Meanwhile, the Company has made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

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 28,800 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.

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

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 2021 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 2021 AGM

Deadline for lodging Transfer documents. 4:30 p.m. on 17 May 2022 (Tuesday)

Closure period of the H Shares. From 18 May 2022 (Wednesday)
register of members to 25 May 2022 (Wednesday)
(both days inclusive)

Record date 25 May 2022 (Wednesday)

Date of the 2021 AGM. 25 May 2022 (Wednesday)

– In respect of the entitlement to 2021 final dividend

Deadline for lodging transfer Documents 4:30 p.m. on 7 June 2022 (Tuesday)

Closure period of the H Shares register From 8 June 2022 (Wednesday)
to 14 June 2022 (Tuesday)
(both days inclusive)

Dividend Entitlement Date 14 June 2022 (Tuesday)

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

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

PUBLICATION OF THE ANNUAL REPORT

The Company's annual report for the year ended 31 December 2021 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 2021 annual report of the Company.

DEFINITIONS

2021 AGM	the 2021 annual general meeting of the Company to be held on 25 May 2022 (Wednesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 20 April 2022 (Wednesday)
A Share(s)	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
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 Technology Company	Sichuan Chengyu Education Investment Co., Ltd. and Sichuan Chengyu Transportation Technology Development Co., Ltd.* (四川成渝交通科技發展有限公司) (formerly known as “Sichuan Chengyu Education Investment Co., Ltd.* (四川成渝教育投資有限公司)”, former abbreviation “Chengdu Education Company”), with changes in the name and its scope of business registered on 21 May 2021)
Chengyu Expressway	Chengyu (Chengdu-Chongqing) Expressway (Sichuan Section)
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
Chengyu Private Equity Fund Management Co., Ltd.*	Sichuan Chengyu Private Equity Fund Management Co., Ltd.* (formerly known as “Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd.”, former abbreviation “Chengyu Jianxin Fund Company”), with changes in shares of shareholders and name on 25 January 2022)
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	14 June 2022 (Tuesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2021 final dividend of the Company (if approved by the Shareholders at the 2021 AGM)
Group	the Company and its subsidiaries
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of Stock Exchange
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
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
Lushan Shuhan Company	Lushan County Shuhan Engineering Construction Management Co., Ltd. (蘆山縣蜀漢工程建設管理有限公司)
Lushan Shunan Company	Lushan County Shunan Engineering Construction Project Management Co., Ltd. (蘆山縣蜀南工程建設項目管理有限公司)
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 of the PRC and Taiwan
Road & Bridge International	Road & Bridge International Co., Ltd, a company incorporated in the PRC
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
Shudao Group	Shudao Investment and its subsidiaries (excluding the Group)
Shudao Investment	Shudao Investment Group Company Limited* (蜀道投資集團有限責任公司), the controlling shareholder of the Company (established by STIG and SRIG by new method of merger and succession of assets, subject to completion of the share transfer procedures disclosed in the announcement of the Company dated 28 May 2021 by Shudao Investment)

Sichuan Expressway Construction and Development	Sichuan Expressway Construction & Development Group Co., Ltd.
SRIG	Sichuan Railway Investment Group Co., LTD* (四川省鐵路產業投資集團有限責任公司)
SSE	Shanghai Stock Exchange
STIG	Sichuan Transportation Investment Group Corporation Limited
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)
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 2022

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. Liu Changsong (Vice Chairman) and Mr. Li Chengyong as non-executive Directors, Mr. Yu Haizong, Madam Liu Lina, Mr. Yan Qixiang and Madam Bu Danlu as independent non-executive Directors.

* *For identification purposes only*