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Chengdu Expressway Co., Ltd.
成都高速公路股份有限公司

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

(Stock Code: 01785)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Chengdu Expressway Co., Ltd. (the “**Company**”) hereby announces the audited results announcement of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021. This announcement, containing the full text of the 2021 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to the information to accompany preliminary announcement of annual results and has been reviewed by the Audit and Risk Management Committee under the Board of the Company. The printed version of the Company’s 2021 Annual Report will be despatched to the registered holders of H shares of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chengdugs.com) on or before 30 April 2022.

On behalf of the Board
Chengdu Expressway Co., Ltd.
Xiao Jun
Chairman

Chengdu, the PRC, 24 March 2022

As at the date of this announcement, the Board of the Company comprises Mr. Yang Tan, Ms. Wang Xiao, Mr. Zhang Dongmin and Mr. Luo Dan as executive directors, Mr. Xiao Jun and Mr. Yang Bin as non-executive directors, and Mr. Shu Wa Tung, Laurence, Mr. Ye Yong and Mr. Li Yuanfu as independent non-executive directors.

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DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

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| "AGM" | the annual general meeting of the Company to be held on 13 May 2022 |
| "Articles of Association" | the articles of association of the Company |
| "associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Board" | the board of Directors of the Company |
| "CCB Gold Investment" | CCB Gold Investment (Chengdu) Equity Investment Fund Partnership (Limited Partnership) (建信金投(成都)股權投資基金合夥企業(有限合夥)), a limited partnership incorporated in the PRC which holds 18.49% equity interests in Chengdu Expressway Construction |
| "charging pile(s)" | charging equipment that provides charging service for electric vehicles, primarily including floor-mounted charging piles and wall-mounted charging piles with fees to be charged based on the time, power consumption or pre-determined price for charging |
| "Chengbei Exit Expressway Company" | Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司), a company incorporated in the PRC with limited liability, which is an associate of the Company with 40% of its equity interests held by the Company |
| "Chengdu Airport Expressway Company" | Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company with 55% of its equity interests held by the Company |
| "Chengdu Communications Investment" | Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability on 16 March 2007, which is one of the controlling shareholders of the Company |
| "Chengdu Communications Investment Group" | Chengdu Communications Investment and its subsidiaries, excluding the Group for the purpose of the section headed "Directors' Report" |
| "Chengdu Expressway Construction" | Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company incorporated in the PRC with limited liability, which is one of the controlling shareholders of the Company |
| "Chengdu Jiaoyun CNG" | Chengdu Jiaoyun Compressed Natural Gas Development Co., Ltd. (成都交運壓縮天然氣發展有限公司), a company incorporated in the PRC with limited liability and a 25%-owned associate of Energy Development Company |

DEFINITIONS

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| “Chengdu Jiuhe” | Chengdu Jiuhe Oil Management Co., Ltd. (成都九河石油經營有限公司), a company incorporated in the PRC with limited liability and a 43%-owned associate of Energy Development Company |
| “Chengdu Teld” | Chengdu Teld New Energy Co., Ltd. (成都特來電新能源有限公司), a company incorporated in the PRC with limited liability and a 16%-owned associate of Energy Development Company |
| “Chengdu Tongneng” | Chengdu Tongneng Compressed Natural Gas Co., Ltd. (成都通能壓縮天然氣有限公司), a company incorporated in the PRC with limited liability and a 30%-owned associate of Energy Development Company |
| “Chengguan Expressway Company” | Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司), a company incorporated in the PRC with limited liability on 25 August 1998, the predecessor of the Company |
| “Chengming Expressway Company” | Sichuan Chengming Expressway Co., Ltd. (四川成名高速公路有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly owned subsidiary of the Company with 51% of its equity interests held by the Company |
| “Chengpeng Expressway Company” | Chengdu Chengpeng Expressway Co., Ltd. (成都成彭高速公路有限責任公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company |
| “Chengwenqiong Expressway Company” | Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company |
| “Chengyu Expressway Company” | Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, a substantial shareholder of Chengdu Airport Expressway Company and a controlling shareholder of Chengbei Exit Expressway Company |
| “CNG” | compressed natural gas |
| “Communications Investment Energy” | Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司), a company incorporated in the PRC with limited liability, which is a subsidiary of Energy Development Company with 55% of its equity interests held by Energy Development Company |
| “Company” | Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange |

DEFINITIONS

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| "Company Law" | the Company Law of the PRC (《中華人民共和國公司法》) |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "controlling shareholder(s)" | has the meaning ascribed thereto under the Listing Rules, in this report refers to Chengdu Communications Investment and Chengdu Expressway Construction |
| "Director(s)" | the director(s) of the Company |
| "Domestic Share(s)" | ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB |
| "Energy Development Company" | Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司), a joint stock company incorporated in the PRC with limited liability, which is held by the Company as to 94.49% (its remaining 5.51% equity interests are held by Chengdu Communications Investment Property Company Limited, an indirect wholly-owned subsidiary of Chengdu Communications Investment) and became a non-wholly-owned subsidiary of the Company on 12 August 2020 |
| "Energy Operation" | Chengdu Communications Investment Energy Operation and Management Co., Ltd. (成都交投能源經營管理有限公司), a company incorporated in the PRC with limited liability and a 100%-owned subsidiary of Energy Development Company |
| "GDP" | gross domestic product |
| "Global Offering" | has the meaning ascribed thereto in the Prospectus |
| "Group" | the Company and its subsidiaries from time to time |
| "H Share(s)" | overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are approved to be listed and traded on the Stock Exchange |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars" or "HK\$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Information Port Company" | Chengdu Communications Information Port Co., Ltd. (成都交通信息港有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Chengdu Communications Investment |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |

DEFINITIONS

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|-----------------------------------|--|
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "MOT" | Ministry of Transport of the People's Republic of China |
| "New Energy Company" | Chengdu Communications Investment New Energy Industrial Development Co., Ltd. (成都交投新能源產業發展有限公司), a company incorporated in the PRC with limited liability, which is a joint venture of Energy Development Company with 60% of its equity interest held by Energy Development Company |
| "Operation Company" | Chengdu Expressway Operation Management Co., Ltd. (成都高速運營管理有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company with 100% of its equity interests held by the Company |
| "PetroChina" | PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in the PRC with limited liability |
| "PetroChina Chengdu Sales Branch" | PetroChina Company Limited Sichuan Chengdu Sales Branch (中國石油天然氣股份有限公司四川成都銷售分公司), a branch of PetroChina |
| "PetroChina Sichuan Sales Branch" | PetroChina Company Limited Sichuan Sales Branch (中國石油天然氣股份有限公司四川銷售分公司), a branch of PetroChina |
| "Prospectus" | the prospectus of the Company dated 28 December 2018 |
| "refined oil" | petrol and diesel oil |
| "Reporting Date" | the date on which the 2021 annual report of the Company was approved by the Board, being 24 March 2022 |
| "Reporting Period" | the year ended 31 December 2021 |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | the share(s) of the Company, including Domestic Shares and H Shares |
| "Shareholder(s)" | holder(s) of the Share(s) of the Company |
| "Sinopec Chengdu Energy" | Sinopec Chengdu Energy Co., Ltd. (中石化成都能源有限公司), a company incorporated in the PRC with limited liability and a joint venture company with 50% of its equity interest held by Energy Development Company |

DEFINITIONS

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| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Supervisor(s)" | the supervisor(s) of the Company |
| "Supervisory Committee" | the supervisory committee of the Company |
| "Tianfu Airport Company" | Chengdu Tianfu International Airport Construction Development Co., Ltd. (成都天府國際機場建設開發有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of Chengdu Communications Investment |
| "Tongneng Jinfu" | Chengdu Tongneng Jinfu Natural Gas Co., Ltd. (成都通能金府天然氣有限公司), a company incorporated in the PRC with limited liability and a 100%-owned subsidiary of Chengdu Tongneng |
| "Zhengtongdaoqiao" | Pengzhou Zhengtongdaoqiao Construction Company Limited (彭州市正通道橋建設有限責任公司) |
| "Zhenxing Company" | Chengdu Expressway Zhenxing Development Co., Ltd. (成都高速振興發展有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company with 80% of its equity interests held by the Company |
| "Zhongyou Energy" | Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司), a company incorporated in the PRC with limited liability, which is a subsidiary of Energy Development Company with 51% of its equity interests held by Energy Development Company |
| "Zhongyou Jieneng" | Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., Ltd. (中油潔能(成都)環保科技有限公司), a company incorporated in the PRC with limited liability, which is a subsidiary of Chengdu Tongneng with 52.51% of its equity interest held by Chengdu Tongneng |

DEFINITIONS

GLOSSARY OF TECHNICAL TERMS

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|---|--|
| “Batch Payment Model” | a toll collection model only applicable to passenger vehicles with local licenses on Chengpeng Expressway and all vehicles with local licenses on Chengwenqiong Expressway which can pass through the toll plazas on these two expressways without toll payment. The relevant local governments, instead, pay the Group toll fees pursuant to the batch payment agreements entered with Chengpeng Expressway Company and Chengwenqiong Expressway Company, respectively, of which Chengpeng Expressway has restored the Standard Toll Collection Model in July 2018 |
| “daily weighted average traffic volume” | represents the summation of the daily traffic volume and mileage of each section of expressways, i.e. the section from an expressway toll station to the next toll station, divided by the sum of the mileage. For Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Qiongmeng Expressway and Chengdu Airport Expressway, the daily traffic volume includes the number of vehicles leaving the expressway’s toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing by but not entering the expressways or leaving from the expressway’s toll plazas, but excluding vehicles entitled to toll-free treatment such as vehicles using the expressway during national holidays and, for Chengdu Airport Expressway, also excluding vehicles that have purchased annual tickets. The traffic volume of Chengwenqiong Expressway has taken into account the traffic volume under the Batch Payment Model |
| “Standard Toll Collection Model” | a toll collection model that requires payment at the time of passing-through and is applicable to all the vehicles on the expressways of the Group that are not eligible for the Batch Payment Model |

GROUP PROFILE

The Group is principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province. Meanwhile, the Group also carries out operation of refined oil and CNG. Business operations of the Group are therefore categorised into “expressway” and “energy” two segments.

The “expressway” segment constitutes the traditional principal business of the Group. As at the Reporting Date, the Group owned 5 expressways, i.e., Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Qiongmeng Expressway and Chengdu Airport Expressway, and held 40% equity interests in Chengbei Exit Expressway, covering a total network mileage of 202.37 kilometres (including mileage of Chengbei Exit Expressway). In addition, in December 2020, the Company won the tenders for the operation and management business of Chengdu Tianfu International Airport Expressway (“Tianfu Airport Expressway”) and Pujiang-Dujiangyan Section of Chengdu Economic Zone Ring Expressway (“Pudu Expressway”), upon which, the total mileage (inclusive of the sections under entrusted management) of expressways operated by the Group reached 392.04 kilometres. Located strategically in areas adjacent to Chengdu, expressways operated and invested by the Group are an integral part to the expressway network surrounding Chengdu which connect several districts with abundant economic, cultural and tourism resources. In recent years, the expressways operated and managed by the Group and its service teams have secured remarkable performance in security and quality service. The Company, some of its subsidiaries and service teams obtained the honorary titles such as Enterprise of Integrity in Sichuan and Chengdu Headquarters Enterprise, as well as the safety production standardisation construction certification of transportation enterprises (Grade II) and honors such as the Expressway with Good Service, Environment, Security, Maintenance and Operation of Sichuan Province (四川省“五好”高速公路) and the Most Beautiful Chinese Road Collector Team (最美中國路姐團隊).

The “energy” segment was consolidated into the Group on 12 August 2020, where Energy Development Company acts as the investor to conduct operation of refined oil and CNG through its subsidiaries, joint ventures and associates. The Group has a total of 23 petrol stations and 4 gas stations (4 gas stations did not commence operation during the Reporting Period) located in and around Chengdu of Sichuan Province.

As at the end of the Reporting Period, total assets of the Group reached RMB9.158 billion.

GROUP PROFILE

OVERVIEW OF THE “EXPRESSWAY” SEGMENT

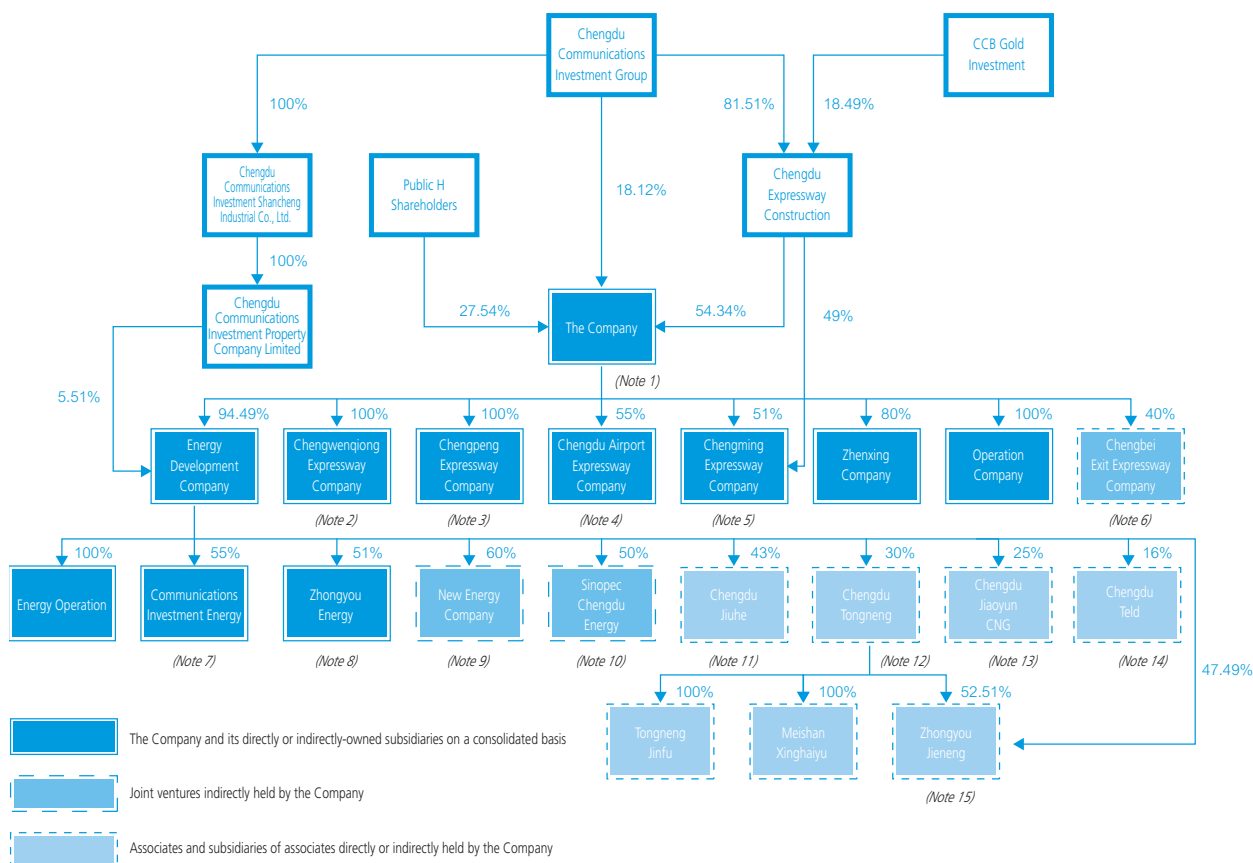
- Chengguan Expressway is a major part of the G4217 national expressway and a key section connecting Sichuan Province with Gansu Province, Qinghai Province and Tibet. It is also the main road to access Dujiangyan, a historic city, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan Province.
- Chengpeng Expressway is a major part of the S105 provincial expressway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to north areas of Sichuan Province.
- Chengwenqiong Expressway is a major part of the S8 provincial expressway and is of economic and cultural significance to western Chengdu. It is also the only expressway gateway within the region that connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu.
- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu International Airport from downtown Chengdu.
- Qiongmeng Expressway is a major part of the S8 provincial expressway and an extension of Chengwenqiong Expressway. It connects to Yunnan Province via Chengya Expressway (成雅高速公路) – Yaxi Expressway (雅西高速公路) – Xipan Expressway (西攀高速公路) and to the Tibetan region via Chengya Expressway (成雅高速公路) – Yakang Expressway (雅康高速公路) – G318 national expressway.
- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速).

OVERVIEW OF THE “ENERGY” SEGMENT

Within the energy segment of the Group, Energy Development Company acts as the investor to conduct operation of refined oil and CNG through its subsidiaries, joint ventures and associates. As of the Reporting Date, Energy Development Company has 3 subsidiaries, being Zhongyou Energy, Communications Investment Energy and Energy Operation, and 9 joint ventures and associates, including Sinopec Chengdu Energy and Chengdu Tongneng through direct and indirect shareholding.

GROUP STRUCTURE

The chart below sets out the Group's structure as at the Reporting Date:



The table below sets forth certain key operating data of the expressways operated and invested in by the Group as at the Reporting Date:

| Name | Percentage of Ownership | Length (km) | Number of Lanes | Number of Toll Stations | Commencement of Operation | Expiration Date |
|----------------------------|-------------------------|-------------|-----------------|-------------------------|---------------------------|-----------------|
| Chengguan Expressway | 100% | 40.44 | 6 | 7 | July 2000 | July 2030 |
| Chengpeng Expressway | 100% | 21.32 | 6/8 | 4 | November 2004 | October 2033 |
| Chengwenqiong Expressway | 100% | 65.60 | 6/4 | 12 | January 2005 | January 2035 |
| Chengdu Airport Expressway | 55% | 11.98 | 4 | 1 | July 1999 | December 2024 |
| Qiongmeng Expressway | 51% | 52.68 | 4 | 5 | November 2010 | November 2038 |
| Chengbei Exit Expressway | 40% | 10.35 | 6 | 1 | December 1998 | June 2024 |

GROUP STRUCTURE

The table below sets forth certain operation information of subsidiaries, joint ventures, associates and subsidiaries of associates of Energy Development Company as at the Reporting Date:

| Company Name | Date of Incorporation | Principal Business | Number of Stations/Charging Piles Operated (in operation) |
|---------------------|-----------------------|---|---|
| Zhongyou Energy | 19 June 2009 | Refined oil | 17 petrol stations |
| Communications | 15 November 2010 | Refined oil | 5 petrol stations |
| Investment Energy | | | |
| Energy Operation | 18 December 2020 | Operation of refined oil and CNG | 1 petrol station |
| Sinopec Chengdu | 25 December 2012 | Operation of refined oil and CNG | 1 petrol station and 1 gas station |
| Energy | | | |
| Chengdu Jiuhe | 24 November 2010 | Operation of refined oil | 1 petrol station |
| Chengdu Tongneng | 12 January 2009 | Operation of CNG | 15 gas stations |
| Chengdu Jiaoyun CNG | 26 December 2000 | Operation of CNG | 1 gas station |
| Zhongyou Jieneng | 14 September 2006 | Operation of CNG | 6 gas stations |
| Tongneng Jinfu | 30 November 2000 | Operation of CNG | 1 gas station |
| New Energy Company | 25 October 2021 | Operation of new energy vehicle charging facilities | 84 charging piles |

Notes:

As of the Reporting Date:

1. The Company holds 100% interests in Chengguan Expressway.
2. The Company holds 100% interests in Chengwenqiong Expressway through Chengwenqiong Expressway Company.
3. The Company acquired the 0.26% equity interests in Chengpeng Expressway Company held by Zhengtongdaoqiao in 2021 and completed the change of industrial and commercial registration on 26 January 2022. The Company currently holds 100% interests in Chengpeng Expressway through Chengpeng Expressway Company.
4. The Company holds 55% interests in Chengdu Airport Expressway through Chengdu Airport Expressway Company and its remaining 45% interests are held by Chengyu Expressway Company and Sichuan Xinneng Real Estate Limited (四川新能置業有限公司) as to 25% and 20%, respectively.
5. The Company holds 51% interests in Qiongmeng Expressway through Chengming Expressway Company and its remaining 49% equity interests are held by Chengdu Expressway Construction.
6. The Company holds 40% interests in Chengbei Exit Expressway through Chengbei Exit Expressway Company, an associate and its remaining 60% interests are held by Chengyu Expressway Company.
7. Communications Investment Energy is held as to 55% by Energy Development Company, and its remaining 45% equity interests are held by Yanchang Shell (Sichuan) Petroleum Co., Ltd. (延長殼牌(四川)石油有限公司).

GROUP STRUCTURE

8. Zhongyou Energy is held as to 51% by Energy Development Company, and its remaining 49% equity interests are held by PetroChina.
9. New Energy Company is held as to 60% by Energy Development Company, and its remaining 40% equity interests are held by Sichuan Shudian Corporation (四川蜀電集團有限公司).
10. Sinopec Chengdu Energy is held as to 50% by Energy Development Company, and its remaining 50% equity interests are held by Sinopec Sales Company Limited (中國石化銷售股份有限公司).
11. Chengdu Jiuhe is held as to 43% by Energy Development Company, and its remaining 57% equity interests are held by Chengdu Rongtai Industry Corporation (成都榮泰實業總公司).
12. Chengdu Tongneng is held as to 30% by Energy Development Company, and its remaining 70% equity interests are held as to 55% and 15% by Chengdu Zhengtong Hengsheng Enterprise Management Co., Ltd. (成都正通恆盛企業管理有限公司) and Chengdu Luneng Compressed Natural Gas Co., Ltd. (成都魯能壓縮天然氣有限責任公司), respectively.
13. Chengdu Jiaoyun CNG is held as to 25% by Energy Development Company, and its remaining 75% equity interests are held as to 20%, 20% and 35% by Chengdu Zhengkun Technology Co., Ltd. (成都正昆科技有限責任公司), PetroChina and Chengdu Bus Compressed Natural Gas Co., Ltd. (成都公交壓縮天然氣股份有限公司), respectively.
14. Chengdu Teld is held as to 16% by Energy Development Company, and its remaining 84% equity interests are held by Teld New Energy Co., Ltd. (特來電新能源股份有限公司) and Chengdu Advanced Manufacturing Industry Investment Co., Ltd. as to 66% and 18%, respectively.
15. Zhongyou Jieneng is held as to 47.49% by Energy Development Company, and its remaining 52.51% equity interests are held by Chengdu Tongneng.

MAJOR EVENTS DURING THE REPORTING PERIOD

THE “EXPRESSWAY-TO-EXPRESSWAY” INTER-NETWORK CONSTRUCTION PROJECT BETWEEN CHENGGUAN EXPRESSWAY AND CHENGDU RING EXPRESSWAY COMPLETED AND OPENED TO TRAFFIC

In line with the requirements of Chengdu Municipal Government on strengthening transportation support in the electronic information industry functional areas, the Company implemented the “expressway-to-expressway” inter-network construction project between Chengguan Expressway and Chengdu Ring Expressway (the “Expressway-to-expressway Project”) in front of the Chengdu toll station on Chengguan Expressway through building two new one-way and two-lane fixed-direction ramps, partially in the form of a viaduct, which directly connect Chengguan Expressway to Chengdu Ring Expressway. The Expressway-to-expressway Project has been completed and commenced operation at 12:00 on 9 February 2021, which marks the interconnection between Chengguan Expressway and Chengdu Ring Expressway. Such interconnection effectively eased the traffic congestion on the sections connecting these two expressways and significantly improved their traffic conversion rate.

XINFAN SERVICE AREA OF CHENGPENG EXPRESSWAY COMPLETED AND OFFICIALLY PUT INTO OPERATION

On 22 March 2021, Xinfan Service Area of Chengpeng Expressway (the “Xinfan Service Area”) invested and constructed by the Group was completed and officially put into operation. The Xinfan Service Area is located on the right side of Chengpeng Expressway, approximately 13 kilometers from Chengdu to Pengzhou, and is a single-sided service area covering an area of approximately 66 mu, of which the main building covering an area of over 4,600 square meters is in Western Sichuan residential style. The Xinfan Service Area is constructed in accordance with the standard of “four-star” service area including a commercial area, parking area, gas station and car repair area, etc. and has multiple service functions which can meet the needs of the general public for dining, refueling and resting during their travel. As disclosed in the voluntary announcement of the Company dated 22 March 2021, the completion and operation of the Xinfan Service Area is the latest achievement of the Group’s determination of development and deepened advancement of extended resources development, which is conducive to sustainably enhancing the quality of the Group’s expressway services and operation level, thereby continuously strengthening the Group’s overall competitiveness.

ALIGNMENT IN PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES AND CESSATION OF RE-APPOINTMENT OF THE INTERNATIONAL AUDITOR

To improve auditing efficiency, save auditing fees and reduce discrepancies in information disclosure, on 25 March 2021, the Board resolved to propose to the Company to adopt alignment in preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises commencing from 2021. On the same day, the Board also resolved to propose to cease to re-appoint Ernst & Young as the international auditor of the Company and appoint Ernst & Young Hua Ming LLP as the auditor of the Company for 2021. The above resolutions have been proposed and approved at the annual general meeting of the Company held on 10 June 2021. The financial statements and annual results of the Company for the year ended 31 December 2021 are prepared pursuant to the China Accounting Standards for Business Enterprises. The Company is of the opinion that alignment in preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises will not have a material impact on the financial position, operating results and cash flows of the Company in 2021 and future periods.

MAJOR EVENTS DURING THE REPORTING PERIOD

SUCCESSFUL REGISTRATION OF THE RMB2 BILLION MID-TERM NOTES AND RMB1 BILLION ULTRA-SHORT-TERM FINANCIAL BONDS

On 12 August 2021, the Company successfully registered RMB2 billion mid-term notes and RMB1 billion ultra-short-term financial bonds with the National Association of Financial Market Institutional Investors, which marked as a successful attempt of the Company in first entering into the bond market, and also provided strong capital support for the major development projects of the Company, contributing positively to improving the overall financial condition and financial leverage of the Company.

PROPOSED INITIAL PUBLIC OFFERING OF A SHARES

In order to promote the high-quality development of the Company and optimise its capital structure, on 15 October 2021, the Board resolved to commence relevant work regarding the proposed initial public offering of ordinary Shares denominated in Renminbi (the “Proposed Offering of A Shares”). As of the Reporting Date, the Company has not formulated the offering plan for the Proposed Offering of A Shares, and has not applied to any relevant regulatory authorities of the PRC for approval of the Proposed Offering of A Shares. For details, please refer to the announcement of the Company dated 15 October 2021.

ACQUISITION OF 16% EQUITY INTERESTS OF CHENGDU TELD

On 30 December 2021, Energy Development Company entered into the equity transfer agreement with Chengdu Communications Investment Shancheng Industrial Co., Ltd. (“Shancheng Industrial”), pursuant to which, Energy Development Company agreed to acquire and Shancheng Industrial agreed to dispose of the 16% equity interests in Chengdu Teld, at a consideration of RMB60,902,400. The resource integration will further enhance the professional standards of the Company’s energy segment, better tap into the economies of scale of the energy segment, and realize the coordinated development of the new energy operations, which will in turn improve the Company’s overall profitability. Chengdu Teld is a company incorporated in the PRC with limited liability and is primarily engaged in development of new energy technology and design, technical consultation, construction, operation management and maintenance services of new energy electric vehicle charging facilities.

MAJOR EVENTS DURING THE REPORTING PERIOD

AWARDS AND RECOGNITIONS

In May 2021, Operation Company was honoured the special award in the art performance celebrating the 100th anniversary since the founding of the Chinese Communist Party of provincial expressway management industry by Sichuan Transportation Comprehensive Administration and Law Enforcement Corps (Expressway Management Bureau of the Department of Transportation of Sichuan).

In June 2021, the Company was awarded the Party-building brand title of “Chengdu Pioneer State-owned Enterprise (蓉城國企先鋒)” by the State-owned Assets and Enterprise Working Committee of the Municipal Party Committee of Chengdu.

In June 2021, Operation Company received the notice of commendation as the “Advance Unit in Chengdu Bureau of Transportation during the Spring Festive Travel Rush (成都市交通運輸局春運工作先進集體)” from Chengdu Bureau of Transportation.

In September 2021, Operation Company received the notice of commendation as the “Advance Unit for Major Special Tasks in 2021 (2021年度重大專項工作先進單位)” from the Department of Transportation of Sichuan.

In October 2021, the Company was recognised as the “Enterprise of Integrity (誠信企業)” in Sichuan Province.

In October 2021, the Company was qualified as one of Chengdu’s “Headquarters Enterprises (總部企業)”.

In October 2021, the Company won the title of “Supporting Unit of the 7th National Vocational Skills Competition for Employees (第七屆全國職工職業技能大賽支持單位)” awarded by the Organising Committee of the 7th National Vocational Skills Competition for Employees.

In January 2022, Operation Company was honoured as the “Unit with Remarkable Performance in the Special Act of Recovering Overdue Expressway Toll Payment in 2021 (2021年高速公路車輛通行費欠費追繳專項行動成效顯著單位)” by Sichuan Transportation Comprehensive Administration and Law Enforcement Corps (Expressway Management Bureau of the Department of Transportation of Sichuan).

In January 2022, Operation Company received the notice of commendation as the “Advance Unit in Expressway Maintenance and Management in 2021 (2021年度高速公路養護管理先進單位)” from Sichuan Transportation Comprehensive Administration and Law Enforcement Corps (Expressway Management Bureau of the Department of Transportation of Sichuan).

FINANCIAL AND OPERATIONAL HIGHLIGHTS

OPERATING RESULTS

| | 2017 RMB (restated) | 2018 RMB (restated) | 2019 RMB (restated) | 2020 RMB | 2021 RMB |
|--|---------------------------|---------------------------|---------------------------|---------------|----------------------|
| Revenue | 2,104,318,209 | 2,385,307,685 | 2,301,384,167 | 2,038,352,063 | 2,702,370,887 |
| Including: | | | | | |
| Revenue from the expressway segment | 1,784,296,814 | 1,830,226,688 | 1,255,926,039 | 1,134,976,334 | 1,495,828,250 |
| Including: Toll income | 840,377,282 | 985,896,251 | 1,255,926,039 | 1,015,942,884 | 1,413,912,681 |
| Revenue from the energy segment | 320,021,395 | 555,080,997 | 1,045,458,128 | 903,375,729 | 1,206,542,637 |
| Including: Revenue from sales of refined oil | 320,021,395 | 555,080,997 | 1,045,458,128 | 902,157,289 | 1,182,382,524 |
| Gross profit | 545,650,711 | 676,626,285 | 872,511,316 | 686,561,261 | 1,016,469,914 |
| Total profit | 470,886,495 | 643,030,823 | 681,529,079 | 424,514,865 | 825,765,098 |
| Net profit | 403,382,864 | 554,455,278 | 555,567,234 | 375,405,240 | 685,058,443 |
| Net profit attributable to Shareholders of the Company | 363,685,670 | 502,912,892 | 485,198,075 | 341,381,113 | 614,652,615 |

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | 2017 RMB (restated) | 2018 RMB (restated) | 2019 RMB (restated) | 2020 RMB | 2021 RMB |
|--|---------------------------|---------------------------|---------------------------|---------------|----------------------|
| Total assets | 5,544,970,827 | 6,234,920,297 | 9,334,119,000 | 9,067,407,272 | 9,157,738,358 |
| Total liabilities | 2,740,151,157 | 2,883,263,786 | 4,599,564,314 | 4,895,499,662 | 4,556,306,092 |
| Non-controlling interests | 222,454,978 | 488,367,727 | 872,616,675 | 891,762,849 | 903,908,398 |
| Total equity attributable to Shareholders of the Company | 2,582,364,692 | 2,863,288,784 | 3,861,938,011 | 3,280,144,761 | 3,697,523,868 |

EARNINGS

| | 2017 RMB (restated) | 2018 RMB (restated) | 2019 RMB (restated) | 2020 RMB | 2021 RMB |
|--------------------------|---------------------------|---------------------------|---------------------------|-------------|-------------|
| Basic earnings per Share | 0.30 | 0.42 | 0.29 | 0.21 | 0.37 |

Notes:

- Financial statements and annual results of the Group for the twelve months ended 31 December 2021 have been prepared under China Accounting Standards for Business Enterprises, and appropriate adjustments have been made for comparative figures of 2020 herein pursuant to China Accounting Standards for Business Enterprises.
- Financial and operational highlights for 2017 to 2019 in the above table were prepared under the International Financial Reporting Standards, and have been restated.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present to the Shareholders the 2021 annual results of the Group.

The year of 2021 not only drew open the 14th five-year plan (the "14th Five-year Plan") for national economy and social development, but also marked a milestone for China's economic recovery following the Corona Virus Disease 2019 (COVID-19). GDP of Sichuan and Chengdu increased by 8.2% and 8.6% from the preceding year, respectively, exceeding the national average year-on-year increase of 8.1% in 2021, thanks to regional economic rebound amid effective anti-COVID-19 pandemic measures across the society, and the "Quality Development and Hardships Tackling Year" campaign of Chengdu. The Group overcame external negative factors such as sporadic COVID-19 cases and diversion of flights from Chengdu Shuangliu International Airport, focused on its principal business, pressed ahead with cost reduction and efficiency enhancement initiatives, and optimised corporate governance, thereby achieving a substantial improvement in business performance as compared with the previous year.

During the Reporting Period, the Group achieved revenue of RMB2,702,370,887 (2020: RMB2,038,352,063), representing an increase of RMB664,018,824, or 32.6% from 2020. In particular, revenue from the expressway segment amounted to RMB1,495,828,250 (2020: RMB1,134,976,334), representing a year-on-year increase of 31.8% and accounting for 55.4% of total revenue; and revenue from the energy segment amounted to RMB1,206,542,637 (2020: RMB903,375,729), representing a year-on-year increase of 33.6% and accounting for 44.6% of total revenue.

During the Reporting Period, the Group achieved net profit of RMB685,058,443 (2020: RMB375,405,240), representing an increase of RMB309,653,203, or 82.5% from 2020; net profit attributable to Shareholders of the Company of RMB614,652,615 (2020: RMB341,381,113), representing a year-on-year increase of RMB273,271,502, or 80.0%; and basic earnings per Share of approximately RMB0.37 (2020: approximately RMB0.21), representing a year-on-year increase of 76.2%.

The Group is committed to creating steady returns for the Shareholders. The Board recommended the payment of a final cash dividend for 2021 of RMB0.141 per Share (tax inclusive), totaling RMB233,510,382 based on the current total number of Shares of the Company of 1,656,102,000. The dividend payout plan will be implemented upon approval at the AGM for 2021 to be held on Friday, 13 May 2022.

CHAIRMAN'S STATEMENT

RESULTS REVIEW

Securing an Improvement in Performance Despite Headwinds

Expressway Segment

During the Reporting Period, each expressway of the Group returned to normal toll collection and was no longer subject to the impact of policy of the MOT on waiving tolls for toll expressways nationwide during the period from 00:00 on 17 February 2020 to 00:00 on 6 May 2020 (the "Toll Waiver Policy of the MOT"). Meanwhile, the Company managed to minimise the adverse impact of the persistent and resurgent COVID-19 pandemic, and traffic diversion from Chengdu Airport Expressway after operation of Chengdu Tianfu International Airport leveraging multiple measures, including reinforcing management over toll collection, eliminating weaknesses to drive revenue growth and striving for cost reduction and efficiency enhancement through coordinating resource allocation, revitalising assets, comprehensive capital allocation and technology innovation, which contributed to a substantial improvement in business performance from the previous year.

During the Reporting Period, the expressway segment achieved toll income of RMB1,413,912,681 (2020: RMB1,015,942,884), representing a year-on-year increase of 39.2%. In particular, Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway recorded daily weighted average traffic volume of 45,828, 59,296, 54,776, 40,427 and 15,960, representing an increase of 14.4%, a decrease of 2.9%, a decrease of 4.0%, a decrease of 7.1% and an increase of 26.8% from 2020 ^{Note}, respectively; and toll income of RMB352,073,686, RMB283,479,675, RMB445,174,708, RMB135,393,322 and RMB197,791,290, representing an increase of 55.0%, 29.7%, 32.8%, 20.4% and 61.2% from 2020, respectively.

During the Reporting Period, the significant increase in toll income of all the expressways was primarily attributable to restoring of toll collection with gradual control over COVID-19 pandemic in mainland China. However, five expressways of the Group recorded varied performances due to persistent rage of COVID-19 pandemic and construction projects. Specifically, Qiongming Expressway recorded a substantial year-on-year increase in traffic volume benefiting from sections reopened to traffic after completion of the road surface renovation project; Chengguan Expressway recorded a remarkable increase in traffic volume due to considerable improvement in travelling efficiency thanks to the interconnection and accessibility along the entire overpass connecting Chengguan Expressway and Chengdu Ring Expressway after completion of the Expressway-to-expressway Project and Yangxi Freeway renovation project; Chengdu Airport Expressway recorded a decline in traffic volume as a result of decrease of flights in Chengdu Shuangliu International Airport; and Chengpeng Expressway and Chengwenqiong Expressway recorded a slight decrease in traffic volume due to reduced travelling activities following the rebound of pandemic at the beginning of 2021 and public response to the call on "stay local for the Spring Festival".

Note:

In the context, traffic volume for 2020 was collected based on the period from 6 May 2020 to 31 December 2020. For details of the traffic volume, please refer to "Expressway Segment" under "Management Discussion and Analysis" in this report.

CHAIRMAN'S STATEMENT

Energy Segment

During the Reporting Period, sales volume of refined oil achieved stable increase and sales volume of natural gas beat the market downturn. The Group implemented anti-COVID-19 measures in its day-to-day course of business, and remained committed to the cost reduction and efficiency enhancement initiatives to promote sales, broaden revenue streams and boost efficiency through superior services, competitive prices and quality oil. Furthermore, it upheld the competition-oriented mindset, proactively engaged in competition in the regional market and introduced trading business and convenience stores. The Group also made constant efforts to expand development potential, actively established presence in the new energy vehicle charging field, and set up New Energy Company, a joint venture to facilitate the steady growth of the energy segment.

During the Reporting Period, the energy segment achieved revenue of RMB1,206,542,637 (2020: RMB903,375,729), representing a year-on-year increase of 33.6%.

Reinforcing Principal Business and Venturing into New Business Fields

During the Reporting Period, the Group focused on opportunities along the industry chain of its principal business and proactively explored new and reliable growth drivers in the strategy of nurturing “expressway + energy” industries. Entering into an equity transfer agreement to acquire the 0.26% equity interests in Chengpeng Expressway Company and achieve 100% control over it effectively enhanced the operating efficiency of the Company; and operation of Xinfan service area on 22 March 2021 filled the void along the 32 km drive from Chengdu to Pengzhou on Chengpeng Expressway, which also marked as the first independently constructed and operated service area of a municipally managed expressway. Besides, the Group is undergoing intensive optimisation of the design of Ande service area based on the new positioning, striving to develop it into a model among expressway service areas in Sichuan and an internet-famous site. Moreover, Tianfu Airport Expressway and Pudu Expressway operated and managed by the Group under entrustment commenced operation on 1 January 2021, symbolising a breakthrough in promotion of the Chengdu Expressway brand, and contributing operation and management revenue of approximately RMB67.10 million during the Reporting Period. The Group steadily expanded the energy segment through introducing trading and convenience store business to nurture new growth drivers. Responding to the strategic goal of “emission peak and carbon neutrality” of the State, the Company acquired the 16% equity interests in Chengdu Teld, which enhanced the professional standards and economies of scale of the energy segment. Furthermore, the Group invested RMB60 million to set up New Energy Company with Sichuan Shudian Corporation to expedite the construction of charging piles.

CHAIRMAN'S STATEMENT

Steadily Expediting Major Projects

During the Reporting Period, the Group conducted business activities with a key focus on major projects. The successful completion of the Expressway-to-expressway project realised interconnection and accessibility along the entire overpass connecting Chengguan Expressway and Chengdu Ring Expressway. The travelling experience within the region will be greatly improved, and it plays a crucial role in promoting the regional social and economic development as well as supporting the International World University Games ("FISU"). During the Reporting Period, the Company completed registration of the RMB2 billion mid-term notes and RMB1 billion ultra-short-term financial bonds, laying the solid capital foundation for its long-term development. During the Reporting Period, Chengdu Tongneng, an associate indirectly held by the Company, acquired the 100% equity interests in Sichuan Meishan Xinghaiyu Gas Co., Ltd., which marked a significant breakthrough in extending business scope and bridging geographical borders in the energy segment. Meanwhile, the Company is expediting the proposed initial public offering of A Shares, which promises strategic significance for further enhancing the Company's equity value, broadening financing channel and escalating the flexibility of capital operation.

During the Reporting Period, the Company continued to improve expressway management and service level. It was honoured as the advance unit in expressway maintenance and management in 2021 by the Expressway Management Bureau of Sichuan Department of Transportation; qualified as an "Enterprise of Integrity" among 1,000 enterprises in Sichuan, and approved to be a "Headquarters Enterprise" in Chengdu, being the only enterprise in Pidu district to receive such honour, which will facilitate the Company to attract resources. Further, the Company designated 39 volunteers from the "Ingenuity Blue" Innovation Service Team to provide etiquette service for the 7th national vocational skills competition for employees, and received the honour of "Supporting Unit" granted by the organising committee of the competition.

OUTLOOK IN 2022

In 2022, the crucial year for China to accelerate the 14th Five-year Plan and embark on the new journey to build a modern socialist country in an all-round way, a broad array of national strategies concerning Chengdu are expected to be rolled out, targeting, in particular, the establishment of the dual-city economic circle encompassing Chengdu and Chongqing and fostering a park city model leveraging the new development concept; as well as the major decisions on development of "one trunk with multiple branches and coordinated development among five districts" for Sichuan province, and accelerating the construction of Chengdu into a metropolitan sphere, which opens up a new leaf for the development of Chengdu in the new era. Meanwhile, the promulgation of the Plan of Sichuan Expressway Network Layout (2022-2035), and the upcoming FISU in Chengdu are well-positioned to bring more opportunities for the Group to expand operation and improve performance.

CHAIRMAN'S STATEMENT

With respect to expressway segment, the Group will continue to consolidate the advantages of its principal business, keep close track of quality expressway investment opportunities and expand the scale of the expressway assets for operation purpose, with a view to strengthening the profitability of its principal activities. It will vigorously popularise standardised operation and management model and summarise experience in market-oriented operation, striving to clone the operation and management model of Tianfu Airport Expressway and Pudu Expressway as soon as practicable, forge the “brand of Chengdu Expressway” and expedite the scale merit in its entrusted operation business. Furthermore, aiming at a breakthrough in “intelligent transportation and green transportation”, the Group will venture into the upper and lower stretches of the expressway industry chain through multiple channels. The Group will pay close attention to quality road assets and extension business available on the market arising from the policies of the state, Sichuan province and Chengdu under the 14th Five-Year Plan, proactively get involved in the major national deployments such as construction of the dual-city economic cycle encompassing Chengdu and Chongqing, so as to provide long-term stimulus to the sustainable and quality development of the Group.

With respect to energy segment, the Group will steadily bring into play backlog resources, acquire quality gas stations at the right timing, improve the existing refined oil operation and service quality, and continue to materialise the cost reduction and efficiency enhancement measures. Meanwhile, the Group will speed up the development of new energy business, earnestly promote the operation of new energy vehicle charging facilities, and capturing and expanding market share in the charging pile business field, thereby constantly broadening its revenue streams and nurturing growth drivers.

The Group will remain dedicated to the commitments made at listing, grasp the new development opportunities, align itself with the new development stage, implement the new development concept, integrate into the new development landscape, and stay focused on its principal business aiming at successes in the long run, so as to build itself into a quality listed enterprise with remarkable results and create sustainable value for the Shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend gratitude to our Shareholders, customers, partners, the management and all of the employees for their support.

Xiao Jun

Chairman

Chengdu, the PRC, 24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF THE GROUP'S OPERATING RESULTS

| | As of 31 December 2021 RMB | As of 31 December 2020 RMB |
|--|-------------------------------------|-------------------------------------|
| Revenue | 2,702,370,887 | 2,038,352,063 |
| Including: | | |
| Toll income | 1,413,912,681 | 1,015,942,884 |
| Revenue from sales of refined oil | 1,182,382,524 | 902,157,289 |
| Revenue from operation and management services | 67,095,217 | — |
| Revenue from convenience stores | 16,622,421 | — |
| Rental income | 17,955,319 | 13,793,757 |
| Construction revenue | — | 105,616,000 |
| Others <i>Note</i> | 4,402,725 | 842,133 |
| Total profit | 825,765,098 | 424,514,865 |
| Net profit attributable to the Shareholders of the Company | 614,652,615 | 341,381,113 |
| Basic earnings per Share | RMB0.37 | RMB0.21 |

SUMMARY OF THE GROUP'S FINANCIAL POSITION

| | As at 31 December 2021 RMB | As at 31 December 2020 RMB |
|--|-------------------------------------|-------------------------------------|
| Total assets | 9,157,738,358 | 9,067,407,272 |
| Total liabilities | 4,556,306,092 | 4,895,499,662 |
| Non-controlling interests | 903,908,398 | 891,762,849 |
| Total equity attributable to Shareholders of the Company | 3,697,523,868 | 3,280,144,761 |

Note: Others during the Reporting Period include revenue of RMB2,248,240 generated from the trading business under the energy segment of the Group. Revenue from the trading business of the Group for the year ended 31 December 2021 was recognised on a net basis pursuant to the revenue standard.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group generates revenue from two business segments, mainly comprising (i) toll income from operating expressways; and (ii) revenue from sales of refined oil through operating petrol stations.

During the Reporting Period, the Group operated Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway, as well as Tianfu Airport Expressway and Pudu Expressway under entrusted management under the expressway segment; and 23 petrol stations and 4 gas stations (4 gas stations did not commence operation during the Reporting Period) under the energy segment.

The Group achieved total revenue of RMB2,702,370,887 during the Reporting Period, representing an increase of RMB664,018,824 from 2020, including revenue from the expressway segment of RMB1,495,828,250, accounting for 55.4% of the total revenue for 2021, and revenue from the energy segment of RMB1,206,542,637, accounting for 44.6% of the total revenue for 2021. The table below sets forth an analysis of revenue generated by the Group during the Reporting Period:

| | 2021 RMB | 2020 RMB | Increase/(decrease) from the preceding year |
|--|----------------------|----------------------|---|
| Revenue from expressway segment: | | | |
| Toll income | 1,413,912,681 | 1,015,942,884 | 39.2% |
| Chengguan Expressway | 352,073,686 | 227,191,862 | 55.0% |
| Chengpeng Expressway | 283,479,675 | 218,506,959 | 29.7% |
| Chengwenqiong Expressway | 445,174,708 | 335,098,503 | 32.8% |
| Chengdu Airport Expressway | 135,393,322 | 112,471,728 | 20.4% |
| Qiongming Expressway | 197,791,290 | 122,673,832 | 61.2% |
| Construction revenue | – | 105,616,000 | N/A |
| Revenue from operation and management services | 67,095,217 | – | N/A |
| Rental income | 14,462,633 | 12,744,359 | 13.5% |
| Others | 357,719 | 673,091 | (46.9%) |
| | 1,495,828,250 | 1,134,976,334 | 31.8% |
| Revenue from energy segment: | | | |
| Sales of refined oil | 1,182,382,524 | 902,157,289 | 31.1% |
| Convenience stores | 16,622,421 | – | N/A |
| Rental income | 3,492,686 | 1,049,398 | 232.8% |
| Others | 4,045,006 | 169,042 | 2,292.9% |
| | 1,206,542,637 | 903,375,729 | 33.6% |
| Total revenue | 2,702,370,887 | 2,038,352,063 | 32.6% |

MANAGEMENT DISCUSSION AND ANALYSIS

Expressway Segment

Set out below is the traffic volume of each expressway of the Group recorded during the period from 1 January to 31 December 2021:

| Expressways | Daily weighted average traffic volume (vehicle) | | Year-on-year increase/(decrease) |
|----------------------------|---|---------------------------|----------------------------------|
| | 1 January to 31 December 2021 | 6 May to 31 December 2020 | |
| Chengguan Expressway | 45,828 | 40,051 | 14.4% |
| Chengpeng Expressway | 59,296 | 61,085 | (2.9%) |
| Chengwenqiong Expressway | 54,776 | 57,048 | (4.0%) |
| Chengdu Airport Expressway | 40,427 | 43,510 | (7.1%) |
| Qiongming Expressway | 15,960 | 12,591 | 26.8% |
| Total | 216,287 | 214,285 | 0.9% |

Note: Given toll resumption from 00:00 on 6 May 2020, traffic volume data during the period from 6 May to 31 December 2020 were adopted for each expressway of the Group for 2020.

Details of toll income and traffic volume of expressways owned by the Group are set out below:

During the Reporting Period, daily weighted average traffic volume of the Group's expressways recorded a slight increase from the previous year, but varied on each expressway depending on specific conditions. In particular, (i) Chengguan Expressway recorded an increase in overall traffic volume due to considerable improvement in travelling efficiency thanks to the remarkable increase in vehicles traveling through it after completion of the Expressway-to-expressway Project and Yangxi Freeway renovation project; (ii) Qiongming Expressway recorded a substantial year-on-year increase in traffic volume benefiting from sections reopened to traffic after completion of the road surface renovation project; (iii) Chengdu Airport Expressway recorded a decrease in traffic volume as a result of official operation of Chengdu Tianfu International Airport on 27 June 2021 and decrease of flights in Chengdu Shuangliu International Airport; and (iv) stay local for the Spring Festival by the public and sporadic COVID-19 cases had impacts on each expressway of the Group, of which Chengpeng Expressway and Chengwenqiong Expressway recorded a slight decrease in traffic volume as these two expressways were exposed to greater impact from the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, expressways of the Group recorded an increase in toll income from 2020, which, except for the above reasons with an impact on traffic volume, is primarily attributable to the fact that the Group recorded a drastic decline in toll income in 2020 as a result of the COVID-19 pandemic and the Toll Waiver Policy of the MOT, while toll collection resumed during 2021, contributing to a significant increase in toll income of the Group in 2021, up by 39.2% year-on-year.

In December 2020, the Company won the tenders for the operation and management services of Tianfu Airport Expressway and Pudu Expressway and established an expressway operation management center (the "Expressway Operation Management Center") to manage Tianfu Airport Expressway and Pudu Expressway, which officially commenced operation in January 2021, thereby contributing revenue from operation and management services of RMB67,095,217 during the Reporting Period.

Energy Segment

During the Reporting Period, revenue from the energy segment of the Group amounted to RMB1,206,542,637, representing a year-on-year increase of RMB303,166,908, or 33.6%. In particular, revenue from sales of refined oil amounted to RMB1,182,382,524, representing an increase of RMB280,225,235, or 31.1% from 2020, primarily attributable to a surge in oil price during the Reporting Period and a significant improvement of the demand in the refined oil market due to steady economic growth following control over the COVID-19 pandemic in mainland China; and the trading activities and convenience stores, newly introduced to the energy segment, contributed RMB2,248,240 and RMB16,622,421 to the Group's revenue, respectively. In particular, revenue from trading activities mainly represented sales revenue of diesel oil, and sales revenue of asphalt; and revenue from convenience stores represented revenue generated from independent operation of convenience stores at petrol stations which were previously leased out.

OPERATING COST

During the Reporting Period, operating cost of the Group mainly included cost of procurement of refined oil, depreciation and amortisation, staff remuneration and expressway repair, maintenance, cleaning and greening. During the Reporting Period, the Group incurred operating cost of RMB1,685,900,973 (2020: RMB1,351,790,802), a year-on-year increase of RMB334,110,171, or 24.7%, primarily attributable to the following factors: (i) Energy Development Company incurred cost of sales of refined oil of RMB1,006,828,220, including fuel purchase expenses, representing an increase of RMB285,837,288 from 2020, which was due to surge in oil price and increase in sales volume; (ii) the Group was entitled to waiver of certain social insurance contributions from February to December 2020 pursuant to the Measures for Temporary Reduction and Exemption of Enterprise Social Insurance Contributions in Sichuan Province (《四川省階段性減免企業社會保險費實施辦法》) (Chuan Ren She Fa [2020] No.1) (the "Policy on Reduction of Social Insurance Contributions for Enterprises") issued by the Department of Human Resources and Social Security of Sichuan Province and other four departments on 4 March 2020, while the Policy on Reduction of Social Insurance Contributions for Enterprises was cancelled since 2021 as the COVID-19 pandemic gradually came under control, and at the same time, the Expressway Operation Management Center and Energy Operation recruited new hires, leading to an increase in the Group's labor cost from 2020; (iii) an increase in road maintenance and equipment and facilities maintenance cost of RMB16,259,733 from 2020, primarily due to cost of maintenance and repair projects including revamp of embankment of waterside bridge on Chengpeng Expressway, road surface renovation of Chengguan Expressway and renovation of Xihe Bridge on Qiongmeng Expressway, as well as maintenance of toll security monitoring facilities in 2021; (iv) a decrease in construction cost of RMB105,616,000 as the Group did not undertake construction projects during the Reporting Period; and (v) an increase in amortisation of service concession rights of RMB23,788,540 during the Reporting Period as compared with 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the Group generated gross profit from operations of RMB1,016,469,914 (2020: RMB686,561,261), representing a year-on-year increase of 48.1%, and achieved gross profit margin of 37.6% (2020: 33.7%), representing a year-on-year increase of 3.9 percentage points. In particular, the expressway segment recorded gross profit of RMB832,642,148 and gross profit margin of 55.7% (2020: 44.4%), representing a year-on-year increase of 11.3 percentage points, primarily due to a significant increase in toll income with gradual control over the COVID-19 pandemic and toll collection resumption for expressways. The energy segment recorded gross profit of RMB183,827,766 and gross profit margin of 15.2% (2020: 20.2%), representing a year-on-year decrease of 5.0 percentage points, primarily due to a more rapid increase in the procurement price than that in the selling price of refined oil.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group incurred administrative expenses of RMB118,877,263 (2020: RMB90,957,453), representing a year-on-year increase of 30.7%, which was mainly attributable to the fact that the Group was entitled to waiver of certain social insurance contributions from February to December 2020 pursuant to the Policy on Reduction of Social Insurance Contributions for Enterprises, while the Policy on Reduction of Social Insurance Contributions for Enterprises was no longer applicable since 2021 as the pandemic gradually came under control, leading to an increase in social insurance contributions from 2020.

During the Reporting Period, the management staff benefit expenses (including salary and social insurance expenses) of the Group were RMB91,535,828 (2020: RMB65,221,605).

INVESTMENT INCOME

During the Reporting Period, the Group recognised income of RMB44,496,113 (2020: RMB33,034,660) from investment in associates and joint ventures, representing an increase of 34.7%, primarily attributable to (i) further abating impact from the COVID-19 pandemic during the Reporting Period, people's strong travelling desire, toll collection resumption on expressways and increase in sales volume of CNG, leading to an increase in profit of Chengbei Exit Expressway Company and Chengdu Tongneng and an corresponding increase in the Group's investment income of RMB8,960,387 and RMB2,458,337, respectively; and (ii) an increase of RMB1,372,100 during the Reporting Period from investment in Zhongyou Jieneng.

During the Reporting Period, the Group received dividends distributed by Sichuan Intelligent Transportation Systems Management Co., Ltd. (四川智能交通系統管理有限責任公司) ("Sichuan Intelligent Transportation") amounting to RMB334,800.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

During the Reporting Period, net profit attributable to the Shareholders of the Company amounted to RMB614,652,615 (2020: RMB341,381,113), a year-on-year increase of 80%; and basic earnings per Share reached approximately RMB0.37 (2020: approximately RMB0.21), representing a year-on-year increase of approximately 76.2%, primarily attributable to the facts that toll income of the Group experienced a sharp decrease in 2020 as a result of the COVID-19 pandemic and the Toll Waiver Policy of the MOT; while toll collection resumed during the Reporting Period and the Group therefore recorded a significant increase in toll income, thereby contributing to a substantial improvement in net profit attributable to Shareholders of the Company and basic earnings per Share.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSETS AND LIABILITIES OVERALL CONDITIONS

As at the end of the Reporting Period, total assets of the Group amounted to RMB9,157,738,358 (31 December 2020: RMB9,067,407,272), representing an increase of 1.0% from the end of 2020. As at the end of the Reporting Period, the Group's assets mainly consisted of intangible assets underlying the service concession rights in respect of Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway, which accounted for 66.1% of the Group's total assets. Currency funds and other assets accounted for 20.6% and 13.3% of total assets, respectively.

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB4,556,306,092 (31 December 2020: RMB4,895,499,662), representing a decrease of RMB339,193,570 from the end of 2020, primarily due to the repayment of bank borrowings of RMB214,500,000 during the Reporting Period, and a decrease of RMB89,760,431 relating to the Expressway-to-expressway Project recorded in other payables.

BORROWINGS AND REPAYMENT CAPACITY

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB4,556,306,092 (31 December 2020: RMB4,895,499,662), of which 67.8% (31 December 2020: 66.7%) represented bank and Shareholders' borrowings while 18.5% (31 December 2020: 18.9%) represented accounts payable.

As at the end of the Reporting Period, total interest-bearing borrowings of the Group amounted to RMB3,090,824,270 (31 December 2020: RMB3,264,267,954), of which RMB2,968,000,000 represented bank borrowings and RMB122,824,270 represented Shareholders' borrowings. 91.1% of the interest-bearing borrowings are not repayable within one year.

As at the end of the Reporting Period, bank borrowings of the Group carried an annual interest rate ranging from 3.66% to 4.41%, while Shareholders' borrowings carried a fixed annual interest rate of 3.9% and 4.75%, respectively. During the Reporting Period, interest expense of the Group amounted to RMB136,721,789 (2020: RMB136,438,811). Earnings before interest and tax amounted to RMB962,486,887 (2020: RMB560,953,676) and therefore interest coverage ratio (earnings before interest and tax divided by interest expenses) was 7.0 (2020: 4.1^{Note}).

As at the end of the Reporting Period, gearing ratio of the Group (being total liabilities divided by total assets) was 49.8% (31 December 2020: 54.0%).

Note: The reason for the difference in interest coverage ratio for year 2020 disclosed herein and in the 2020 annual report is that the interest coverage ratio disclosed herein is arrived at based on the financial information of 2020 prepared under the China Accounting Standards for Business Enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

BORROWING RATIO

Being a measurement of financial leverage, borrowing ratio is calculated as net debt divided by “total equity and net debt”. Net debt refers to interest-bearing bank and other loans minus cash and cash equivalents, not including liabilities for working capital purpose. Equity includes equity attributable to Shareholders of the Company and non-controlling interests. As at the end of the Reporting Period, the borrowing ratio of the Group was 20.7% (31 December 2020: 26.5%).

CAPITAL EXPENDITURE COMMITMENTS AND UTILISATION

During the Reporting Period, capital expenditure of the Group amounted to RMB88,873,295, primarily due to increase of construction in progress such as service areas, petrol stations and gas stations and land price paid for Ande service area.

As at the end of the Reporting Period, total capital expenditure commitments of the Group amounted to RMB169,408,610, primarily relating to fixed assets including construction of Ande service area by Zhenxing Company, purchase and construction of equipment and facilities for Chengwenqiong Expressway and construction of petrol stations and gas stations by Energy Development Company, as well as acquisition of 16% equity interests in Chengdu Teld. The Group will prioritise internal resources to fund the above capital expenditure commitments.

CURRENT RATIO

The Group focuses on maintaining a reasonable capital structure and continuously improving its profitability in order to maintain good credit standing and sound financial position.

As at the end of the Reporting Period, total current assets of the Group amounted to RMB2,182,496,091 (31 December 2020: RMB1,923,148,745), of which: (i) currency funds as well as non-current assets due within one year were RMB1,887,351,380 (31 December 2020: RMB1,760,116,050), accounting for 86.5% (31 December 2020: 91.5%) of current assets; (ii) accounts receivable were RMB144,714,700 (31 December 2020: RMB68,616,554), accounting for 6.6% (31 December 2020: 3.6%) of current assets; (iii) inventories were RMB46,134,548 (31 December 2020: RMB54,557,700), accounting for 2.1% (31 December 2020: 2.8%) of current assets; and (iv) prepayments, other receivables and other current assets were RMB104,295,463 (31 December 2020: RMB39,858,441), accounting for 4.8% (31 December 2020: 2.1%) of current assets.

As at the end of the Reporting Period, current ratio (current assets divided by current liabilities) of the Group was 154.4% (31 December 2020: 127.6%). The increase of the current ratio was due to an increase in current assets benefited from improvement of operating results following abating impact from the COVID-19 pandemic, and a decrease in current liabilities due to a decline in accounts payable following settlement of construction payments based on contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out certain information about the Group's consolidated statements of cash flows for the years ended 31 December 2021 and 2020:

| | For the year ended 31 December | | | |
|--|--------------------------------|----------------------|---------------|----------------------|
| | 2021 | | 2020 | |
| | RMB | RMB | RMB | RMB |
| Cash and cash equivalents presented in the consolidated statement of cash flows at the beginning of the year | | 1,631,650,352 | | 1,287,292,061 |
| Net cash flows from operating activities | 814,384,940 | | 1,044,043,988 | |
| Net cash flows from/(used in) investing activities | (37,032,865) | | 143,995,527 | |
| Net cash flows (used in) financing activities | (608,883,221) | | (843,681,224) | |
| Net increase in cash and cash equivalents | | 168,468,854 | | 344,358,291 |
| Cash and cash equivalents presented in the consolidated statement of cash flows at the end of the year | | 1,800,119,206 | | 1,631,650,352 |
| Analysis of balances of cash and cash equivalents | | | | |
| Consolidated cash and cash equivalents as at the end of the year | | 1,872,081,979 | | 1,759,686,050 |
| Time deposits with original maturity of over three months | | 71,962,773 | | 128,035,698 |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | 1,800,119,206 | | 1,631,650,352 |

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flows from operating activities: During the Reporting Period, net cash flows from operating activities of the Group amounted to RMB814,384,940, compared to RMB1,044,043,988 in 2020, representing a year-on-year decrease of RMB229,659,048, primarily attributable to (i) an increase in revenue during the Reporting Period following the abating impact of the COVID-19 pandemic and toll collection resumption of the Group's expressways, leading to an increase in cash received from sale of goods or rendering of services of RMB683,714,569; (ii) a year-on-year decrease in other cash received relating to operating activities of RMB474,372,092, primarily attributable to government grant of RMB247,700,000 for Jinfeng viaduct project, government subsidies for cancelling provincial toll stations of RMB49,828,600 in 2020, as well as construction payment for Expressway-to-expressway Project of RMB117,617,561 received from the government but unpaid by the Company at the end of 2020; while no such amounts were received during the Reporting Period, (iii) an increase in cash paid for purchase of goods and receipt of services of RMB271,225,881 during the Reporting Period, primarily including a year-on-year increase in fuel purchase expenses of RMB283,615,836 due to an increase in oil price and sales volume and goods procurement cost for convenience stores of RMB14,265,900, payment of RMB33,786,711 for road surface renovation projects on Qiongmeng Expressway and Chengguan Expressway completed in the second half of 2020, construction payment of RMB12,593,742 settled for Xinfan Service Area and settlement and payment of RMB14,031,375 during the Reporting Period for special maintenance projects completed in the second half of 2020, including riverbed disease disposal and maintenance project of Xihe Bridge on Qiongmeng Expressway and the safety upgrading project of central movable guardrail on Qiongmeng Expressway; (iv) an increase in other cash paid relating to operating activities of RMB46,026,688 during the Reporting Period, primarily for settlement of construction payments incurred by the Expressway-to-expressway Project; (v) a year-on-year increase in cash paid to and on behalf of employees of RMB87,114,180, primarily attributable to an increase in employee compensations of RMB62,104,335 incurred by new hires for Tianfu Airport Expressway and Pudu Expressway which were under entrusted management and the newly established Energy Operation Company and the natural increase of staff, and an increase of RMB25,009,845 in social insurance contribution made by the Group during the Reporting Period due to the reason that the Group was entitled to waiver of certain social insurance contributions from February to December 2020 pursuant to the Policy on Reduction of Social Insurance Contributions for Enterprises; and (vi) a year-on-year increase in taxes and surcharges of RMB34,732,119 during the Reporting Period as a result of revenue growth of the Company.

Net cash flows from/(used in) investing activities: During the Reporting Period, net cash flows used in investing activities of the Group amounted to RMB37,032,865, compared to net cash flows from investing activities of RMB143,995,527 for 2020, representing a year-on-year decrease of RMB181,028,392, primarily attributable to (i) a year-on-year increase in the investment income of the Group of RMB32,069,328 due to improvement in performance of the Group's joint ventures and associates amid the abating impact of COVID-19 pandemic during the Reporting Period; (ii) a year-on-year increase of RMB11,919,340 in net cash received from disposal of fixed assets, intangible assets and other long-term assets, primarily attributable to compensation for demolition of the office premise of Chengwenqiong Expressway Company in Gongping town in an amount of RMB13,687,600; (iii) a year-on-year decrease in cash paid for acquisition of subsidiaries and other operating entities of RMB47,182,900, primarily attributable to RMB47,083,900 paid by Energy Development Company for acquisition of 47.49% equity interests in Zhongyou Jieneng in 2020, while no such business activities took place during the Reporting Period; (iv) an increase in the difference between cash paid for and received from investment of RMB261,630,023 during the Reporting Period as compared with 2020, primarily due to a decrease of RMB203,448,723 in cash inflow compared to 2020 upon maturity of term deposits with a maturity of over three months; establishment of New Energy Company during the Reporting Period, leading to an increase in capital expense of RMB60,000,000; acquisition of equity interests in Sichuan Intelligent Transportation, resulting in an increase in investment expense of RMB13,450,700, and cash paid for investment of RMB15,269,400 for entering into letters of guarantee after winning the entrusted operation business of Tianfu Airport Expressway and Pudu Expressway in 2020, while no such expense was incurred during the Reporting Period; and (v) a year-on-year increase in cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets of RMB10,569,937.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flows (used in) financing activities: During the Reporting Period, net cash flows used in financing activities of the Group amounted to RMB608,883,221, compared to RMB843,681,224 for 2020, representing a year-on-year decrease of RMB234,798,003, primarily attributable to (i) a decrease in repayment of bank loans and other borrowings of RMB1,215,530,670 from the preceding year; (ii) a year-on-year decrease in cash received from acquisition of investment of RMB44,852,000, due to contribution of RMB24,852,000 from capital increase in cash received by Zhongyou Energy and shareholder contribution of RMB20,000,000 for establishment of Zhenxing Company in 2020, while no such amount were received during the Reporting Period; (iii) a year-on-year decrease in bank loans of RMB1,643,000,000 obtained during the Reporting Period as compared with 2020, primarily due to inflow of RMB1,169,000,000 and RMB114,000,000 to Chengming Expressway Company and Chengwenqiong Expressway Company in 2020 respectively because of existing loan replacement, and RMB360,000,000 borrowed by the Company from the bank for acquisition of Energy Development Company in 2020, while no such amount was incurred in 2021; (iv) a year-on-year decrease in other cash paid relating to financing activities of RMB724,460,110, mainly due to RMB727,570,000 paid in 2020 for acquisition of Energy Development Company; and (v) a year-on-year increase in cash paid for dividends, profit or interest of RMB17,340,777.

NET PROCEEDS FROM GLOBAL OFFERING AND UTILISATION

The Company issued 400,000,000 H Shares in Global Offering which were listed on the Main Board of the Stock Exchange on 15 January 2019, and issued 56,102,000 H Shares upon partial exercise of the over-allotment option which were listed on the Main Board of the Stock Exchange on 12 February 2019. The net proceeds from the initial public offering of new Shares and the issue of over-allotment Shares amounted to HK\$931.5 million (equivalent to approximately RMB802.5 million), which have been fully allocated and utilised in accordance with the purposes set out in the Prospectus as of the Reporting Date (plans regarding acquiring or investing in one high-quality expressway and establishing new business segments or acquiring other complementary business have been accomplished within two years after listing as scheduled). The utilisation of the above net proceeds is specified below:

| | Percentage of the net proceeds from the Global Offering | Net proceeds from the Global Offering and utilisation | | | |
|--|---|---|--|--|-----------------------------|
| | | Amount available for utilisation as at the beginning of the Reporting Period RMB'000 | Amount utilised during the Reporting Period RMB'000 | Accumulated utilised amount RMB'000 | Remaining amount RMB'000 |
| Acquiring or investing in one high-quality expressway | 70% | – | – | 561,716 | – |
| Establishing new business segments or acquiring other complementary business | 10% | – | – | 80,245 | – |
| Improving the operational efficiency of expressways | 10% | 42,827 | 42,827 | 80,245 | – |
| General corporate and working capital purposes | 10% | – | – | 80,245 | – |
| Total | 100% | 42,827 | 42,827 | 802,451 | – |

Note: Net proceeds as set out in the Prospectus are on an expected basis while net proceeds as set out in this annual report represent the sum of the issued capital and share premium finally included in the Group's account upon completion of the over-allotment offering.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, except for the acquisition of 16% equity interests in Chengdu Teld as disclosed in the section headed “Major Events during the Reporting Period”, the Company did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures.

PLEDGE OF ASSETS

As at the end of the Reporting Period, the toll collection rights of Chengwenqiong Expressway with a net carrying amount of RMB1,008,566,526 (31 December 2020: RMB1,070,956,427) were pledged to secure bank loans and other loans of RMB550,000,000 (31 December 2020: RMB580,000,000), the toll collection rights of Chengpeng Expressway with a net carrying amount of RMB1,197,274,381 (31 December 2020: RMB1,267,783,732) were pledged to secure bank loans of RMB263,000,000 (31 December 2020: RMB283,000,000), and the toll collection rights of Qiongmeng Expressway with a net carrying amount of RMB2,319,900,986 (31 December 2020: RMB2,383,470,845) were pledged to secure bank loans of RMB1,710,000,000 (31 December 2020: RMB1,767,500,000).

EXCHANGE RATE FLUCTUATION RISK

As the Group primarily operates in mainland China and the majority of its businesses are settled in Renminbi, it is not exposed to material foreign exchange rate risk.

The Group currently does not engage in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange movements to maximise the Group's cash value.

CONTINGENT LIABILITIES

During the Reporting Period, Energy Development Company was involved in a land dispute as on 14 August 2014, Energy Development Company issued the “Letter of Undertakings on Solving Project Lands for Communications Investment Energy” (“Letter of Undertakings”) to Chengdu Huaguan Industrial Co., Ltd., the then non-controlling shareholder of Communications Investment Energy. Pursuant to the Letter of Undertakings, Energy Development Company was going through land procedures for one petrol station, and land construction procedures of one petrol station and one gas station through swap. Upon issuance of the Letter of Undertakings, despite several rounds of resolution between the parties, the land procedures for the petrol stations and gas station failed to be completed. The case has been transferred to Chengdu Intermediate People's Court. Up to now, the court has not made a judgment, and the time for the resumption of the court has not been determined. Based on the advice of the legal adviser of the Group, the management considers that Energy Development Company has a legitimate defense against the lawsuit, and the case will probably be ruled in favor of Energy Development Company. Accordingly, the management did not make provision in this regard. Save as disclosed above, the Group did not have any material contingent liabilities, nor did it provide any guarantee to related parties.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF DIRECTORS

The table below sets forth the biographical details of Directors:

| Name | Position | Term of office <i>(Note)</i> |
|---------------------------|------------------------------------|------------------------------|
| Mr. Xiao Jun | Non-executive Director | 21 November 2016 – Up to now |
| | Chairman of the Board | 9 December 2016 – Up to now |
| Mr. Yang Tan | Executive Director | 11 June 2020 – Up to now |
| | General Manager | 16 April 2020 – Up to now |
| Ms. Wang Xiao | Executive Director | 21 November 2016 – Up to now |
| | Deputy General Manager | 9 December 2016 – Up to now |
| Mr. Zhang Dongmin | Executive Director | 9 May 2018 – Up to now |
| Mr. Luo Dan | Executive Director | 21 November 2016 – Up to now |
| | Chief Accountant | 9 December 2016 – Up to now |
| Mr. Yang Bin | Non-executive Director | 9 May 2018 – Up to now |
| Mr. Shu Wa Tung, Laurence | Independent non-executive Director | 21 November 2016 – Up to now |
| Mr. Ye Yong | Independent non-executive Director | 21 November 2016 – Up to now |
| Mr. Li Yuanfu | Independent non-executive Director | 21 November 2016 – Up to now |

Note: Term of office represents the period during which such individuals hold positions listed in the table. For details of their other positions, please refer to the following.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Xiao Jun (肖軍), Chairman of the Board and Non-executive Director

Mr. Xiao Jun, aged 55, has served as the chairman and a director of Chengguan Expressway Company since April 2016, a non-executive Director of the Company since November 2016 and the chairman of the Board and the chairman of the Nomination Committee of the Company since December 2016. Set forth below are the key biographies of Mr. Xiao:

- the operation group leader and deputy secretary of the Party branch in the road situation team of the Highway Bureau of Department of Transportation of Sichuan Province (四川省交通廳公路局路況隊), where he was responsible for road condition survey, exploration and design from July 1988 to May 1992;
- a deputy team leader of the technical team of the Ala Road construction in Republic of Yemen aided by the PRC (中國援建也門人民共和國阿拉公路技術組) from May 1992 to May 1994;
- the operation group leader and deputy secretary of the Party branch in the road situation team of the Highway Bureau of Department of Transportation of Sichuan Province (四川省交通廳公路局路況隊), where he was responsible for road condition survey, exploration and design from May 1994 to September 1997;
- a project staff in the office of important construction projects in Chengdu Municipal Transportation Bureau, where he was responsible for coordination of construction of Chengya Expressway and Chengpeng Expressway and served as the site commander of the Chengpeng Expressway Construction Command (成彭高速公路建設指揮部) from September 1997 to November 2000;
- a deputy chief of the Division of Highway Management of Chengdu Municipal Transportation Bureau from November 2000 to July 2004;
- a director, deputy executive general manager and general manager of Chengdu Expressway Construction from July 2004 to March 2007;
- the chief engineer and deputy general manager of Chengdu Communications Investment from March 2007 to August 2014;
- a director and chief engineer of Chengdu Communications Investment from August 2014 to December 2017; and
- the vice chairman of the board of directors of Chengdu Communications Investment since December 2017.

Mr. Xiao graduated with a major in road and bridge engineering from Road Engineering Department of Chongqing Jiaotong College in July 1988. He graduated with a major in traffic and civil engineering from Chongqing Jiaotong College in July 1998. Mr. Xiao was qualified as a senior engineer by Chengdu Professional Title Reform Leading Group (成都市職稱改革工作領導小組) in March 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yang Tan (楊坦), Executive Director and General Manager

Mr. Yang Tan, aged 56, has been the General Manager of the Company since April 2020, and an executive Director and chairman of the Strategy and Development Committee of the Company since June 2020. Set forth below are the key biographies of Mr. Yang:

- a staff member of North Gate Station of Chengdu Motor Transport Company (成都市汽車運輸公司) from July 1988 to May 1990;
- a deputy director of the General Manager Office of Chengdu Motor Transport Corporation (成都市汽車運輸總公司) from May 1990 to August 1993;
- a deputy general manager of Sichuan Tonglian Rare Animal Breeding Co., Ltd. (四川通聯珍稀動物養殖有限公司) from August 1993 to December 1996;
- secretary to the Party branch of Baiyun Hotel of Chengdu Motor Transport Corporation and secretary to the Party branch of the Fifth Branch of Chengdu Motor Transport Corporation from December 1996 to December 1999;
- a deputy station chief and deputy general manager of Chengdu Zhaojue Transportation Co., Ltd. (成都昭覺運業有限責任公司) from December 1999 to August 2004;
- the general manager of Chengdu Chengnan Transportation Co., Ltd. (成都成南運業有限公司) from August 2004 to July 2010;
- the general manager of Chengguan Expressway Company from July 2010 to April 2016;
- secretary to the Party branch, director and general manager of Energy Development Company from April 2016 to April 2020;
- chairman and director of Operation Company since April 2020; and
- chairman and director of Chengdu Airport Expressway Company since June 2020.

Mr. Yang graduated from Chongqing Jiaotong College, majoring in transportation management engineering in July 1988.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wang Xiao (王曉), Executive Director and Deputy General Manager

Ms. Wang Xiao, aged 49, has served as an executive Director of the Company since November 2016 and Deputy General Manager of the Company since December 2016, mainly responsible for assisting the General Manager, managing the Audit and Supervision Department and Operation Management Department, and acting as a member of the Strategy and Development Committee. Set forth below are the key biographies of Ms. Wang:

- a staff in Agriculture Machine Bureau of Pujiang County, Sichuan Province from July 1990 to April 1996;
- deputy department head of the Communication Management Department of the Chengdu Municipal Transportation Bureau from May 1996 to January 1998;
- office director of the Communications News of the Chengdu Municipal Transportation Bureau from February 1998 to September 2002;
- deputy general manager and general manager of the Chengdu Shixianghu Traffic Hotel from September 2002 to April 2006;
- deputy general manager of Chengpeng Expressway Company from April 2006 to June 2010;
- deputy general manager of Chengguan Expressway Company from July 2010 to May 2014; and
- general manager of Chengdu Airport Expressway Company from May 2014 to June 2020 and the chairman of board of directors of Chengdu Airport Expressway Company from May 2018 to June 2020.

Ms. Wang completed the traffic and transportation planning and management courses organised by Southwest Jiaotong University from September 1999 to July 2001. Ms. Wang graduated from the Graduate School of the Central Party School of the Communist Party of China in July 2011 majoring in economics (economic management). Ms. Wang was awarded the qualification of senior engineer by Chengdu Professional Title Reform Leading Group in May 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Dongmin (張冬敏), Executive Director

Mr. Zhang Dongmin, aged 59, has served as an executive Director of the Company since May 2018. Set forth below are the key biographies of Mr. Zhang:

- a soldier in the 11th Army of the People's Liberation Army of China (中華人民共和國解放軍陸軍第十一軍團) from October 1979 to April 1982;
- the group leader of Construction Command in Chengdu Sixth Water Work (成都市自來水六廠建設指揮部) from May 1982 to September 1998;
- the section chief in the Chengdu "Five Roads One Bridge" Office (成都“五路一橋”辦公室) from October 1998 to June 2003;
- the manager of the contract management department in Chengdu Road and Bridge Operation and Management Company (成都市路橋經營管理公司) from June 2003 to December 2009;
- the department head of land security department in Chengdu Communications Investment from December 2009 to May 2017;
- the general manager of Chengwenqiong Expressway Company from May 2017 to October 2020, and the chairman of the board of directors of Chengwenqiong Expressway Company from May 2018 to October 2020;
- chairman of the board of directors of Chengming Expressway Company since December 2019;
- director and deputy general manager of Operation Company since April 2020; and
- executive director of Chengwenqiong Expressway Company since October 2020.

Mr. Zhang graduated from Correspondence College of the Party School of the Sichuan Provincial Committee of Communist Party of China (中共四川省委黨校函授學院) in June 2001 majoring in economic management. Mr. Zhang received his economist certificate in December 2006.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Luo Dan (羅丹), Executive Director and Chief Accountant

Mr. Luo Dan, aged 54, has served as an executive Director of the Company since November 2016 and the Chief Accountant of the Company since December 2016, mainly responsible for financial matters, assisting the General Manager and managing the finance department and contract management department, and acted as a member of the Remuneration and Evaluation Committee. Set forth below are the key biographies of Mr. Luo:

- accountant, deputy section chief and financial manager of Chengdu Chemical Engineering Company (成都市化工公司) from July 1985 to July 1998;
- manager, assistant to general manager and manager and deputy general manager of finance department of Chengguan Expressway Company from August 1998 to June 2010;
- deputy general manager and the chairman of the labor union of Chengwenqiong Expressway Company from July 2010 to October 2020;
- director of Chengpeng Expressway Company from May 2015 to October 2020;
- financial controller of Chengming Expressway Company from December 2019 to April 2020;
- director of Operation Company since April 2020;
- director of Chengming Expressway Company since May 2020;
- director of Energy Development Company since August 2020; and
- supervisor of Sichuan Intelligent Transportation since April 2021.

Mr. Luo graduated from Chengdu Finance and Trade School (成都市財政貿易學校) in July 1985 majoring in business accounting and statistics and graduated from the Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in December 2004 with a bachelor's degree in economic management provided for people with a college degree. Mr. Luo was awarded the qualification of assistant political engineer by Chengdu Enterprise Ideological and Political Staff Professional Position Evaluation Leading Group in March 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Yang Bin (楊斌), Non-executive Director

Mr. Yang Bin, aged 55, has served as a non-executive Director and a member of the Audit and Risk Management Committee of the Company since May 2018. Set forth below are the key biographies of Mr. Yang:

- deputy manager of asset management department in Chengdu Expressway Construction from December 1998 to July 2000;
- deputy general manager in Chengdu Xiling Snow Hill Tourism Development Co., Ltd. (成都西嶺雪山旅遊開發有限責任公司) from July 2000 to July 2002;
- deputy general manager and general manager in Chengdu Jinsha Transport Co., Ltd. (成都金沙運業有限公司) from July 2002 to May 2014;
- director and general manager in Chengpeng Expressway Company from May 2014 to April 2016;
- director and general manager in Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交投旅遊運業發展有限公司) from April 2016 to November 2016;
- head of the Party and Masses Work Department of Chengdu Communications Investment from November 2016 to March 2018; and
- director, general manager and deputy chairman of the board of directors in Chengbei Exit Expressway Company since March 2018.

Mr. Yang obtained his bachelor's degree from Chengdu University of Science and Technology majoring in Organic Chemical Engineering in July 1988 and obtained a master's degree majoring in high polymer material from Sichuan United University in June 1994.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Shu Wa Tung, Laurence (舒華東), Independent Non-executive Director

Mr. Shu Wa Tung, Laurence, aged 49, has served as an independent non-executive Director, the chairman of the Audit and Risk Management Committee and a member of the Strategy and Development Committee of the Company since November 2016. Mr. Shu has over 20 years of experience in audit, corporate finance and financial management. Set forth below are the key biographies of Mr. Shu:

- accountant, semi-senior accountant of assurance & advisory department, senior accountant of corporate advisory services department, and senior accountant, associate manager and manager of reorganization services group of Deloitte Touche Tohmatsu from March 1994 to October 2000;
- manager of Deloitte Touche Corporate Finance Ltd (a corporate finance service company of Deloitte Touche Tohmatsu) from July 2001 to November 2002;
- associate director of Goldbond Capital (Asia) Limited from November 2002 to April 2005;
- chief financial officer and secretary to the company's board of Texhong Textile Group Limited (a company listed on the Stock Exchange, stock code: 2678) from May 2005 to July 2008, overseeing the group's financial management functions;
- chief financial officer of Jiangsu Rongsheng Heavy Industries Holding Co., Ltd (江蘇熔盛重工控股有限公司) from July 2008 to June 2010;
- chief financial officer of Petro-king Oilfield Services Limited (a company listed on the Stock Exchange, stock code: 2178) from July 2010 to July 2018;
- chief financial officer of Brainhole Technology Limited (formerly known as Top Dynamic International Holdings Limited) (a company listed on the Stock Exchange, stock code: 2203) from August 2018 to November 2019;
- chief financial officer of Huige Environmental Protection Technology Co., Ltd. (匯舸環保科技有限公司) since September 2020; and
- independent non-executive director of Riverine China Holdings Limited (a company listed on the Stock Exchange, stock code: 1417), Twintek Investment Holdings Limited (a company listed on the Stock Exchange, stock code: 6182) and Goldstream Investment Limited (a company listed on the Stock Exchange, stock code: 1328) since November 2017, December 2017 and December 2019, respectively.

Mr. Shu graduated from Deakin University, Australia in September 1994 and obtained his bachelor's degree in business majoring in accounting, and completed his CFO Programme at China Europe International Business School (中歐國際工商學院) in November 2009. Mr. Shu was accredited as a certified public accountant associate by Hong Kong Institute of Certified Public Accountants in September 1997. Mr. Shu was admitted as a member to the Hong Kong Independent Non-executive Director Association in May 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ye Yong (葉勇), Independent Non-executive Director

Mr. Ye Yong, aged 47, has served as an independent non-executive Director, a member of the Audit and Risk Management Committee, the chairman of the Remuneration and Evaluation Committee and a member of the Nomination Committee of the Company since November 2016. Mr. Ye is a professor and the head of Department of Accounting in Southwest Jiaotong University. Set forth below are the key biographies of Mr. Ye:

- a technician and the secretary of Communist Youth League general branch of Pangang Group Company from July 1994 to July 1997;
- associate professor in School of Management Science and Engineering, Guizhou University of Finance and Economics from July 2005 to July 2006;
- associate professor in School of Information Management, Chengdu University of Technology from July 2006 to March 2007;
- associate professor and professor in School of Economics and Management, Southwest Jiaotong University since March 2007;
- providing consulting services for Sichuan Haizhi Sci-Tech Co., Ltd. (四川海之科技股份有限公司) and Sichuan Great Technology Co., Ltd. (四川格瑞特科技公司) successively since January 2006;
- independent director of Sichuan Yulintu Information Technology Co., Ltd. (四川魚鱗圖信息技術股份有限公司) since May 2020; and
- independent director of Zhuhai Century Dingli Technology Co., Ltd. (珠海世紀鼎利科技股份有限公司) since March 2021.

In addition, Mr. Ye has extensive experience in participating in the science projects such as the projects of National Natural Science Foundation, including:

- taking charge of the project of research and empirical analysis on the effect of invisible ultimate controlling rights of listed companies from January 2007 to December 2009;
- taking charge of the project of study on corporate governance of large state-owned enterprises after the share-trading reform from September 2007 to December 2009; and
- participating in the project of improvement of presentation of financial statements in the PRC based on salience theory from January 2014 to December 2017.

Mr. Ye graduated from Southwest Jiaotong University with a master's degree in business administration in October 2001; graduated from Southwest Jiaotong University with a doctor's degree in management science and engineering in July 2005. Mr. Ye was recognised as a peer review expert by National Natural Science Foundation in March 2007; recognised as a paper review expert by the Academic Degrees Center of Ministry of Education in December 2013; admitted as an expert in the National Science and Technology Expert Database by Ministry of Science and Technology in December 2014 and recognised as a review expert by the Planning Office of National Philosophy and Social Science in September 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Li Yuanfu (李遠富), Independent Non-executive Director

Mr. Li Yuanfu, aged 59, has served as an independent non-executive Director and a member of the Nomination Committee and the Remuneration and Evaluation Committee of the Company since November 2016. Mr. Li is a professor in Southwest Jiaotong University. Set forth below are the key biographies of Mr. Li:

- teaching assistant in Southwest Jiaotong University from July 1983 to September 1987;
- lecturer, deputy department head, assistant to the dean and associate professor in School of Civil Engineering, Southwest Jiaotong University from September 1987 to June 2001;
- associate dean and professor of School of Civil Engineering, Southwest Jiaotong University from July 2001 to February 2014; and
- executive deputy head and head of the Teacher Development Center of Southwest Jiaotong University from March 2014 to March 2017.

Mr. Li has extensive experience in science research, including winning the Second Prize of Science and Technology Advancement awarded by Ministry of Railways in December 1997 and the First Prize of Science and Technology Achievement awarded by China Highway and Transportation Society in December 2011.

Mr. Li graduated from Southwest Jiaotong University in August 1983 majoring in railway engineering with a bachelor's degree in engineering; graduated from Southwest Jiaotong University in September 1989 majoring in railway engineering with a master's degree in engineering; and graduated from Southwest Jiaotong University in October 2000 majoring in road and railway engineering with a doctor's degree in engineering. Mr. Li was recognised as a professional registered consultant by Sichuan Consulting Trade Association (四川省諮詢業協會) in February 2008; appointed as a committee member of the Instructive Committee of Education of Railway Transportation and Engineering under the Ministry of Education by the Advisory Committee of University Education of Transportation and Engineering under the Ministry of Education in December 2008; appointed as the general secretary of Instructive Group of Education of Railway Transit and Bridge and Tunnel in February 2009; recognised as a famous teacher in Sichuan Province by People's Government of Sichuan Province in June 2009; recognised as one of the ninth-group leaders in academic and technical fields in Sichuan Province in July 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF SUPERVISORS

The following table sets forth information regarding the Supervisors:

| Name | Position | Term of office ^(Note 1) |
|------------------------------------|--|------------------------------------|
| Ms. Jiang Yan | Chairman of the Supervisory Committee (Shareholder Representative Supervisor) | 9 May 2018 – Up to now |
| Ms. Wu Haiyan | Supervisor (Shareholder Representative Supervisor) | 21 November 2016 – Up to now |
| Mr. Zhang Yi | Supervisor (Shareholder Representative Supervisor) | 11 June 2020 – Up to now |
| Ms. Xu Jingxian | Supervisor (Employee Representative Supervisor) | 17 November 2016 – Up to now |
| Mr. Zhang Jian ^(Note 2) | Supervisor (Employee Representative Supervisor) | 17 November 2016 – 3 March 2022 |
| Mr. Chen Yong ^(Note 2) | Supervisor (Employee Representative Supervisor) | 3 March 2022 – Up to now |

Notes:

1. Term of office represents the period during which such individuals hold positions listed in the table. For details of their other positions, please refer to the following. Shareholder representative Supervisors and employee representative Supervisors of the second session of the Supervisory Committee were appointed for a term of office of three years commencing from 11 June 2020.
2. On 3 March 2022, Mr. Zhang Jian resigned as an employee representative Supervisor due to work rearrangement. On the same date, Mr. Chen Yong was appointed as an employee representative Supervisor. For details, please refer to the announcement of the Company dated 3 March 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Jiang Yan (蔣燕), aged 51, has served as a Supervisor of the Company since May 2018. Set forth below are the key biographies of Ms. Jiang:

- an accountant in Chongqing Yongchuan Cocoon Silk Group Company (重慶永川蠶絲集團公司) from August 1991 to June 1993;
- loan officer and deputy section chief of cashier's department in Jintang sub-branch, Chengdu branch of Bank of Communications from June 1993 to December 1995;
- director of small local branch and deputy chief of accounting division in Jintang sub-branch, Sichuan branch of Industrial and Commercial Bank of China Limited from December 1995 to August 2004;
- financial manager in Sichuan Jieshijie New Material Co. Ltd. (四川傑事傑新材料有限公司) from August 2004 to March 2008;
- supervisor of investment finance department in Chengdu Modern Agricultural Logistics Development and Investment Co., Ltd (成都市現代農業物流業發展投資有限公司) from March 2008 to March 2009;
- deputy head of board's office in Chengdu Urban and Rural Commercial Logistics Development and Investment Group Co., Ltd. (成都城鄉商貿物流發展投資(集團)有限公司) from March 2009 to February 2011;
- vice general manager of Zhongyou Jieneng from February 2011 to May 2011;
- CFO and vice general manager of Energy Development Company from May 2011 to April 2016;
- deputy general manager of Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交投旅遊運輸發展有限公司) from April 2016 to February 2017;
- deputy department head of the operation and management department in Chengdu Communications Investment from February 2017 to March 2018;
- deputy department head of the capital operation department in Chengdu Communications Investment from March 2018 to March 2019; and
- director of the capital operation department of Chengdu Communications Investment since April 2019.

Ms. Jiang finished her junior college courses at Sichuan Business College majoring in planning and statistics in July 1991 and graduated from Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in December 1997 majoring in economic management. Ms. Jiang received her economist certificate from the Ministry of Personnel of the People's Republic of China in October 1996 and the senior economist certificate issued by Chengdu Human Resources and Social Security Bureau in August 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wu Haiyan (吳海燕), aged 50, has served as a supervisor of Chengguan Expressway Company since April 2015, and has served as a Supervisor of the Company since November 2016. Set forth below are the key biographies of Ms. Wu:

- an accountant in Chengdu Expressway Construction from December 1997 to February 2007;
- an accountant in Chengdu Communications Investment from February 2007 to January 2008;
- manager and deputy general manager of finance department of Chengdu Transportation Hub and Station Construction Management Company Limited (成都交通樞紐場站建設管理有限公司) from January 2008 to February 2015; and
- head and deputy head of finance department (capital center) of Chengdu Communications Investment since February 2015.

Ms. Wu finished her junior college courses at Southwest University of Finance and Economics majoring in accounting in June 1993 and graduated from Correspondence College of the Party School of the Sichuan Provincial Committee of Communist Party of China (中共四川省委黨校函授學院) in June 2009 majoring in administration management. Ms. Wu was recognised as a senior accountant by Chengdu Professional Title Reform Leading Group in May 2016.

Mr. Zhang Yi (張毅), aged 36, has served as a Supervisor of the Company since June 2020. Set forth below are the key biographies of Mr. Zhang:

- member of the construction crew of Sichuan Junxiang Construction Engineering Co., Ltd. (四川俊翔建築工程有限公司) from July 2007 to July 2008;
- supervision engineer and director representative of Sichuan Urban Construction Engineering Supervision Co., Ltd. (四川省城市建設工程監理有限公司) from August 2008 to March 2013;
- person-in-charge of the engineering department, head of the parking lot management station, senior director of the investment and development department, senior director of the operation and management department and deputy director of the operation and management department (person-in-charge) of Chengdu Expressway Construction since April 2013 and has been responsible for the overall work of the operation and management department of Chengdu Expressway Construction since December 2018;
- director of Sichuan Hongsheng International Logistics Co., Ltd. (四川宏盛國際物流有限責任公司) since March 2019;
- supervisor of Chengdu Communication Investment Tianxin Green Building Materials Co., Ltd. (成都交投天新綠色建材有限公司) since November 2019;
- director of Chengming Expressway Company since December 2019; and
- director of Chengdu Chengren Highway Development Co., Ltd. (成都成仁公路開發有限責任公司) since August 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang graduated from Sichuan College of Architectural Technology in June 2007, majoring in engineering supervision and from Southwest University of Science and Technology in December 2011, majoring in construction economics and management. Mr. Zhang was qualified as an engineer by Chengdu Professional Title Reform Leading Group in March 2018.

Ms. Xu Jingxian (許靜嫻), aged 44, has served as an employee representative Supervisor and manager of the Finance Department of the Company since November 2016 and was re-designated as the manager of the Audit Department of the Company from the manager of the Finance Department in March 2019. Set forth below are the key biographies of Ms. Xu:

- accountant and manager of the finance department of Chengguan Expressway Company from August 1998 to November 2016;
- supervisor of Chengwenqiong Expressway Company, Chengpeng Expressway Company and Chengdu Airport Expressway Company since May 2018;
- supervisor of Chengming Expressway Company since December 2019;
- supervisor of Zhenxing Company since February 2020;
- supervisor of Operation Company since April 2020; and
- supervisor of Energy Development Company since August 2020.

Ms. Xu graduated from Sichuan Provincial Fiscal School in July 1998 majoring in finance and accounting, and graduated from Sichuan University majoring in marketing in June 2005. Ms. Xu was recognised as a semi-senior accountant by Sichuan Province Personnel Department in October 2009. Ms. Xu obtained the qualification of senior accountant granted by Chengdu Human Resources and Social Security Bureau in July 2019.

Mr. Chen Yong (陳勇), aged 38, has served as the head of the Finance Department of the Company since March 2019, and an employee representative Supervisor since 3 March 2022. Set forth below are the key biographies of Mr. Chen:

- worked for Tong Wei Co., Ltd. (通威股份有限公司) from September 2012 to September 2014;
- worked for the First Engineering Branch of China MCC5 Group Corp. Ltd. (中國五冶集團有限公司第一工程分公司) from September 2015 to October 2015;
- director and senior head of the finance department (capital centre) of Chengdu Communications Investment from October 2015 to February 2019;
- director of Chengming Expressway Company from December 2019 to May 2020; and
- director of Zhenxing Company since February 2020.

Mr. Chen graduated from Southwestern University of Finance and Economics in June 2012 majoring in finance. Mr. Chen obtained the qualification of senior accountant granted by Chengdu Human Resources and Social Security Bureau in May 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of the Company:

| Name | Position | Term of office <i>(Note 1)</i> |
|---------------------------------|---|---------------------------------|
| Mr. Yang Tan | General Manager | 16 April 2020 – Up to now |
| Mr. Zou Zhiquan <i>(Note 2)</i> | Chief Engineer | 9 December 2016 – 17 March 2021 |
| Mr. Shu Bin <i>(Note 2)</i> | Chief Engineer | 17 September 2021 – Up to now |
| Ms. Wang Xiao | Deputy General Manager | 9 December 2016 – Up to now |
| Mr. Luo Dan | Chief Accountant | 9 December 2016 – Up to now |
| Mr. Zhang Guangwen | Secretary to the Board and Joint Company Secretary | 9 December 2016 – Up to now |
| Mr. Pan Xin | Deputy General Manager | 20 May 2020 – Up to now |
| Mr. Ding Dapan <i>(Note 3)</i> | Deputy General Manager | 9 November 2021 – Up to now |

Notes:

1. Term of office represents the period during which such individuals hold positions listed in the table. For details of their other positions, please refer to the following.
2. Mr. Zou Zhiquan ceased to be the Chief Engineer of the Company due to work change commencing from 17 March 2021. On 17 September 2021, the Board resolved to appoint Mr. Shu Bin as the Chief Engineer of the Company.
3. The Board resolved to appoint Mr. Ding Dapan as the Deputy General Manager of the Company commencing from 9 November 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yang Tan, aged 56, is an executive Director, General Manager and Secretary to the Party Committee of the Company. For biographical details of Mr. Yang, please refer to the sub-section headed “Biographical Details of Directors” in this section.

Mr. Shu Bin (舒斌), aged 42, has served as the Chief Engineer of the Company since September 2021, assisting the work of the General Manager and managing the safety engineering department. Set forth below are the key biographies of Mr. Shu:

- deputy manager of the maintenance and management department of Chengdu Road and Bridge Operation and Management Company Limited (成都市路橋經營管理有限責任公司), deputy general manager of Chengpeng Expressway Company and deputy general manager of Chengming Expressway Company from May 2014 to April 2020;
- deputy general manager and head of the maintenance center of Operation Company from April 2020 to September 2021; and
- deputy general manager and head of the maintenance centre of Operation Company since September 2021.

Mr. Shu graduated from Southwest Jiaotong University in January 2015 majoring in civil engineering (road and bridge), and was recognised as an engineer by Chengdu Professional Title Reform Leading Group in January 2013.

Ms. Wang Xiao (王曉), aged 49, is an executive Director and Deputy General Manager of the Company. For biographical details of Ms. Wang, please refer to the sub-section headed “Biographical Details of Directors” in this section.

Mr. Luo Dan (羅丹), aged 54, is an executive Director and Chief Accountant of the Company. For biographical details of Mr. Luo, please refer to the sub-section headed “Biographical Details of Directors” in this section.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Guangwen (張光文), aged 46, has served as the Secretary to the Board of the Company since December 2016, managing the Office of the Board. Set forth below are the key biographies of Mr. Zhang:

- accountant and sales support staff of Sichuan Tire Rubber Group Company Limited from July 1998 to October 2003;
- auditor in Sichuan Zhongfa CPA Co., Ltd. from October 2003 to June 2007;
- auditor in Chengdu Communications Investment from June 2007 to December 2008;
- deputy manager and manager of finance department of Chengdu Communications Investment Property Company Limited from January 2009 to June 2016;
- deputy general manager of Chengguan Expressway Company from June 2016 to December 2016;
- chairman of the supervisory committee of Operation Company since April 2020; and
- director of Energy Development Company since July 2020.

Mr. Zhang graduated from Sichuan Industrial College majoring in Business Administration in July 1998 with a bachelor's degree in economics. Mr. Zhang was recognised as a certified accountant by Chinese Institute of Certified Public Accountants in April 2005.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Pan Xin (潘欣), aged 34, has served as the Deputy General Manager of the Company since May 2020 to assist the General Manager and take charge of the investment development department and of the safety engineering department from March to September 2021. Set forth below are the key biographies of Mr. Pan:

- director and supervisor of the investment and development department of Chengdu Communications Investment from July 2013 to August 2016;
- manager of the investment and development department of Chengdu Expressway Construction from September 2016 to May 2020;
- supervisor of the Company from November 2016 to May 2020; and
- director of Energy Development Company since July 2020.

Mr. Pan graduated from Southwest Jiaotong University majoring in traffic transportation with a bachelor's degree in engineering in June 2010, and obtained his master's degree in engineering from Southwest Jiaotong University majoring in transportation planning and management in June 2013. Mr. Pan was recognised as a logistician by China Federation of Logistics and Purchasing and the National Logistics Standardization Technical Committee in December 2011. He obtained the qualification of engineer granted by Chengdu Professional Title Reform Leading Group in December 2017 and the qualification of economist granted by Ministry of Human Resources and Social Security of the PRC in November 2018.

Mr. Ding Dapan (丁大攀), aged 34, has served as the Deputy General Manager of the Company since November 2021 to assist the work of General Manager. Set forth below are the key biographies of Mr. Ding:

- worked for Yangtze River Three Gorges Technology and Economic Development Company (長江三峽技術經濟發展公司) from July 2012 to January 2014;
- deputy principal staff member, deputy director, third-tier principal staff member and second-tier principal staff member of the Construction and Maintenance Department of the Expressway Administration Bureau (Law Enforcement Corps) of Sichuan Provincial Department of Transportation from January 2014 to August 2020;
- deputy general manager of Operation Company from August 2020 to November 2021; and
- director and general manager of Operation Company, person-in-charge of Chengdu Expressway Co., Ltd. Chengguan Branch, director and general manager of Chengming Expressway Company, director of Chengbei Exit Expressway Company, and general manager of Chengwenqiong Expressway Company, Chengdu Airport Expressway Company and Chengpeng Expressway Company since November 2021.

Mr. Ding graduated from Southwest Jiaotong University with a master degree of engineering majoring in bridge and tunnel engineering in July 2012.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURE

The Company conducts its business strictly in accordance with the relevant laws and regulations and regulatory documents such as the Company Law and the Listing Rules as well as requirements of the Articles of Association. The Company has established an internal governance structure with well-established policies and systems which consists of the general meeting, the Board and its special committees, the Supervisory Committee and senior management.

The Board believes that high standards of corporate governance are essential to providing a framework for the Company to safeguard the interests of Shareholders of the Company, enhance corporate value, formulate business strategies and policies, and enhance transparency and accountability. The Company managed to maintain high standards of corporate governance, and each of the internal governance departments was operated independently and efficiently with its respective duties and obligations being practically fulfilled.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code as its own corporate governance code. The Company has been in compliance with the applicable code provisions throughout the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the code of conduct for all Directors and Supervisors in conducting securities transactions of the Company. The Company has made specific enquiries to all Directors and Supervisors, and they confirmed that they complied with the requirements of the Model Code throughout the Reporting Period.

THE BOARD

The Board performs its functions and exercises its powers in accordance with the provisions of the Articles of Association. The Board is responsible for overseeing the Company's businesses, strategic decisions and performance and should make decisions objectively in the best interests of the Company.

As at the Reporting Date, the Board comprised nine Directors, consisting of four executive Directors, two non-executive Directors and three independent non-executive Directors. The term of office of Directors shall be three years commencing from the date of election till the expiry of the current session of the Board and is renewable upon re-election. Please refer to the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report for information on the specific members of the Board, their terms of office and biographical information. Apart from working relationships in the Company, none of the members of the Board have any financial, business, family or other material relationships with each other.

CORPORATE GOVERNANCE REPORT

The general meetings, Board meetings and special committees meetings attended in person by the Directors during the Reporting Period are as follows:

| | Actual attendance/Required attendance | | | | | |
|--|---------------------------------------|---------------|---|------------------------------|---|--|
| | General Meeting | Board Meeting | Audit and Risk Management Committee Meeting | Nomination Committee Meeting | Remuneration and Evaluation Committee Meeting | Strategy and Development Committee Meeting |
| Executive Directors | | | | | | |
| Yang Tan (General Manager) | 1/1 | 19/19 | N/A | N/A | N/A | 6/6 |
| Zhang Dongmin | 1/1 | 19/19 | N/A | N/A | N/A | N/A |
| Wang Xiao | 1/1 | 19/19 | N/A | N/A | N/A | 6/6 |
| Luo Dan | 1/1 | 19/19 | N/A | N/A | 3/3 | N/A |
| Non-executive Directors | | | | | | |
| Xiao Jun (Chairman of the Board) | 1/1 | 19/19 | N/A | 3/3 | N/A | N/A |
| Yang Bin | 1/1 | 19/19 | 8/8 | N/A | N/A | N/A |
| Independent Non-executive Directors | | | | | | |
| Shu Wa Tung, Laurence | 1/1 | 19/19 | 8/8 | N/A | N/A | 6/6 |
| Ye Yong | 1/1 | 19/19 | 8/8 | 3/3 | 3/3 | N/A |
| Li Yuanfu | 1/1 | 19/19 | N/A | 3/3 | 3/3 | N/A |

CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER

The Chairman of the Board and the General Manager (who discharges the responsibilities of the chief executive officer) of the Company are held by different persons. During the Reporting Period, the Chairman of the Board was served by Mr. Xiao Jun, a non-executive Director, and the General Manager of the Company was served by Mr. Yang Tan, an executive Director. The duties of the Chairman of the Board and the General Manager and the division of the work between them are clearly defined in writing to ensure a definite division of power and duties with clear-cut and efficient implementations of their respective duties.

CORPORATE GOVERNANCE REPORT

The Chairman of the Board is responsible for formulating the corporate and operational strategies of the Company and ensuring the establishment of sound corporate governance practices and procedures. The General Manager is responsible for the management of the Company's business operation according to the authority delegated by the Board and the implementation of the corporate objectives and directions and risk management and internal control policies laid down by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to appointment of independent non-executive Directors. The Board has appointed three independent non-executive Directors and at least one of them possesses appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written confirmation letter from each of the independent non-executive Directors in respect of his independence as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors remain independent.

TERMS OF APPOINTMENTS OF NON-EXECUTIVE DIRECTORS

Pursuant to the Articles of Association, the Directors are elected at the general meetings of the Company with a term of three years commencing from the date of election till the expiry of the current session of the Board and is renewable upon re-election. The actual terms of office of non-executive Directors should refer to the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

DUTIES OF THE BOARD

The Board is responsible for and has full power and authorities for the management and development of the Company. The functions and duties of the Board include: convening the shareholders' general meetings and to report on its work to the shareholders' general meetings; implementing the resolutions adopted by the shareholders' general meetings; determining the Company's business plans and investment plans; formulating the Company's annual plans for financial budgets and final accounts; formulating the Company's profit distribution plans and plans to cover losses; and exercising other powers, functions and duties conferred by the Articles of Association.

The Board is responsible for performing corporate governance functions, including (i) formulating and reviewing the corporate governance policies and practices of the Company; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices in complying with legal and regulatory requirements; (iv) formulating, reviewing and monitoring codes of conduct and compliance manuals (if any) applicable to employees and the Directors; (v) ensuring that the Company establishes and maintains appropriate and effective risk management and internal control system and overseeing the design, implementation and supervision over the risk management and internal control system by the management of the Company; and (vi) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report. Regarding the performance of the aforementioned functions, during the Reporting Period, the Board has reviewed the Corporate Governance Report of the Company for 2020 and the trainings and continuous professional development undertaken by the Directors and senior management.

CORPORATE GOVERNANCE REPORT

The Board delegates day-to-day operations of the Company to the management. The functions and duties of the management include: to be in charge of the Company's operation and management, to organise the implementation of the resolutions of the Board and report to the Board; to implement the Company's annual business plans and investment plans; to draft plans for the establishment of the Company's internal management organizations; to draft the Company's basic management system; to formulate the specific rules and regulations of the Company and to exercise other powers and functions granted by the Articles of Association and the Board. The Board and the management have clearly defined their powers and responsibilities under various internal control and balance mechanisms.

The Directors (including independent non-executive Directors) and Supervisors of the Company can obtain knowledge of the Company's business activities and business development trends through various channels to ensure that they can perform their duties properly. During the Reporting Period, the Company provided the following information, reports and training activities to assist Directors and Supervisors in performing their duties:

- (i) proposing to the Board the annual work summary of the Company for consideration and approval, and reporting the progress of the resolutions of the Board and updates on major projects of the Company;
- (ii) consulting the opinions of the non-executive Directors, independent non-executive Directors and Supervisors regarding the strategic decisions of the Company;
- (iii) furnishing the Board with management statements and industry overview on a monthly basis, and the securities market regulatory news as and when appropriate;
- (iv) providing the independent non-executive Directors with documents and information required to perform their duties in a timely manner; and
- (v) arranging for Directors to participate in the training on the Listing Rules and providing advice on regulations to Directors and Supervisors upon request to help them fully and systematically understand the Company's operations and the relevant domestic and foreign regulations and principles regarding governance.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company has established procedures of training and development for Directors, Supervisors and senior management.

During the Reporting Period, all Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of Directors, the relevant laws and regulations applicable to Directors and the obligations of disclosure of interests. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

| Name of Director | Theme Training <small>Notes</small> | Monthly Law and Regulation Updates and Regulatory Dynamics |
|--|-------------------------------------|--|
| Executive Directors | | |
| Yang Tan (<i>General Manager</i>) | ✓ | ✓ |
| Zhang Dongmin | ✓ | ✓ |
| Wang Xiao | ✓ | ✓ |
| Luo Dan | ✓ | ✓ |
| Non-executive Directors | | |
| Xiao Jun (<i>Chairman of the Board</i>) | ✓ | ✓ |
| Yang Bin | ✓ | ✓ |
| Independent Non-executive Directors | | |
| Shu Wa Tung, Laurence | ✓ | ✓ |
| Ye Yong | ✓ | ✓ |
| Li Yuanfu | ✓ | ✓ |

Notes:

- On 10 June 2021, all the Directors, Supervisors and senior management members of the Company participated in the training regarding "Hong Kong Capital Market Supervision Trends and Major Listing Compliance Issues" provided by DLA Piper Hong Kong, the legal adviser of the Company as to Hong Kong law.
- On 14 July 2021, all the Directors, Supervisors and senior management members of the Company participated in the trainings related to (i) internal control; (ii) comprehensive risk; and (iii) integrity risk provided by ShineWing Certified Public Accountants Ltd, the internal control adviser of the Company.

CORPORATE GOVERNANCE REPORT

- (3) From 20 October 2021 to 22 October 2021, as a result of the COVID-19 pandemic, Mr. Zhang Guangwen, a senior management member and joint company secretary of the Company, participated in the 59th educational forum on enhanced continuous professional development of joint members convened by Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) online.
- (4) On 12 November 2021, Mr. Zhang Guangwen, a senior management member and joint company secretary of the Company, participated in the ESG-climate change seminar held by Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) online.

BOARD COMMITTEES

The Board has delegated certain of its duties to various committees. In accordance with the relevant PRC laws and regulations and the provisions on corporate governance prescribed in the Listing Rules and the Articles of Association, the Company has established four Board committees to oversee particular aspects of the Company's affairs, namely the Audit and Risk Management Committee, the Nomination Committee, the Remuneration and Evaluation Committee and the Strategy and Development Committee. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of each of the Board Committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

NOMINATION COMMITTEE

As at the end of the Reporting Period and up to the Reporting Date, the Nomination Committee consisted of three Directors, namely Mr. Xiao Jun (non-executive Director), Mr. Li Yuanfu (independent non-executive Director) and Mr. Ye Yong (independent non-executive Director). Mr. Xiao Jun serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include: (a) reviewing the structure, size and composition of the Board at least once a year on aspects of expertise, knowledge and experience, and advising on any changes to be made to the Board in response to the Company's strategies; (b) studying and advising on the standards, procedures and methods for the election of Directors and senior management members; (c) searching far and wide for qualified candidates for Directors and senior management members; (d) evaluating the eligibility of candidates for Directors and senior management members and reporting to the Board its opinions and advise on the relevant appointment; (e) reviewing the independence of the independent non-executive Directors; and (f) advising the Board on the appointment or re-appointment of Directors and senior management members, as well as the succession plans for Directors and senior management members (especially the Chairman of the Board and General Manager). For details, please refer to the Terms of Reference of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

The nomination process of Directors of the Company is as follows: first, the Nomination Committee shall actively study the demand of the Company for new Directors and senior management, taking into account the requirements of the Board diversity policy of the Company and present such information in writing; the Nomination Committee shall seek extensively for candidates for Directors and senior management from the Company, its wholly-owned, controlled and invested enterprises and the human resources market, gather information about the occupation, academic qualifications, positional titles, detailed work experience and all the concurrent posts of the candidates and present such information in writing; second, the Nomination Committee shall obtain the consent for nomination from nominees; third, the Nomination Committee shall convene a meeting to review the qualifications of the candidates based on the criteria for Directors; fourth, the Nomination Committee shall make suggestions to the Board on the candidates for Directors and submit the relevant materials; fifth, the Board shall review and approve the nomination of candidates for Directors and submit it for approval at the general meeting. Shareholders, either individually or in aggregate, holding more than 3% of the Shares of the Company shall have the right to nominate Directors through exercising its right of proposal. For the specific procedure of proposal, please refer to Article 70 of the Articles of Association.

The Company has established a Board diversity policy. When designing the composition of the Board, in order to achieve a diversity of perspectives among members of the Board, the Company will consider various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In making recommendation or providing advice to the Board in respect of appointing new Directors of the Company, the Nomination Committee of the Board shall fully take into account the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will appoint at least one female Director. Meanwhile, the Company shall consider the above-mentioned factors based on its own business model and specific needs from time to time and make final decisions based on merits and contributions that the candidates will bring to the Board.

The Board comprises seven members with experience in transportation and education industries, accounting for 78% of the total members of the Board; two members with expertise, academic background and experience relevant to the finance, investment and other financial and economic industries, accounting for 22% of the total members of the Board; one member with management experience over listed companies prior to the listing of the Company on the Hong Kong Stock Exchange, accounting for 11% of the total members of the Board; three members holding a master's degree or above, accounting for 33% of the total members of the Board; and one female member, accounting for 11% of the total members of the Board, having reached the measurable goal set for the Board diversity policy of the Company. Board members span over 47 to 59 in terms of age and possess diverse work experience, educational background and members of different age groups to provide various perspectives for the development of the Company. The Nomination Committee is of the opinion that the current Board composition is in line with the requirements set out in the Board Diversity Policy.

During the Reporting Period, the Nomination Committee actively performed its duties and convened 3 meetings in total, at which it reviewed the structure and composition of the Board, the independence of independent non-executive Directors and the continuing professional development training program of Directors and senior management in 2021 and completed nomination for the candidates of deputy general manager of the Company in accordance with the Terms of Reference of the Nomination Committee and other systematic requirements.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND EVALUATION COMMITTEE

As at the end of the Reporting Period and up to the Reporting Date, the Remuneration and Evaluation Committee consisted of three Directors, namely Mr. Ye Yong (independent non-executive Director), Mr. Luo Dan (executive Director) and Mr. Li Yuanfu (independent non-executive Director), and Mr. Ye Yong served as the chairman of the Remuneration and Evaluation Committee.

The primary duties of the Remuneration and Evaluation Committee include: (a) advising to the Board on the overall remuneration policy and framework for Directors and senior management members, and on the establishment of standardised and transparent remuneration policy formulation procedures; (b) studying assessment criteria, performance evaluation procedures, remuneration and rewards and punishment policies for Directors and senior management members and submitting the same to the Board for approval; (c) formulating the management rules on performance evaluation of Directors and senior management members of the Company, preparing the evaluation plan and determining the evaluation objectives; (d) reviewing and approving proposals on senior management's remuneration in accordance with the Company's guidelines and targets approved by the Board; (e) formulating and advising to the Board on the remuneration packages for Directors and senior management members and submitting the same to the Board for approval; (f) reviewing and approving the compensation required to be paid to the executive Directors and senior management members for the loss or termination of the office or appointment; (g) reviewing and approving the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct; (h) ensuring the Directors or their associates not to determine by themselves, or be involved in determining their remuneration; (i) supervising the implementation of the Company's remuneration policies; and (j) studying and advising on the Company's equity incentive plan and submitting the same to the Board for approval. Please refer to the Terms of Reference of the Remuneration and Evaluation Committee for details.

The remunerations of the Directors and senior management of the Company are determined in accordance with the policies and objectives of the Company, remuneration paid by similar companies and time commitment and responsibilities assumed by such Director and senior management member and other factors. The remunerations of the Directors are determined at the general meeting and the remunerations and awards and punishments of the senior management members are determined by the Board. The Company makes no further determination or payments of the Directors' emoluments for the Directors who receive management remunerations from the Company or its Shareholders. During the Reporting Period, the emoluments received by the Board members and the senior management were strictly based on the proposal approved at the general meeting and by the Board.

CORPORATE GOVERNANCE REPORT

The emoluments of the members of the senior management of the Company by band during the Reporting Period are set out below:

| Band of emoluments (in RMB) | Number | |
|-----------------------------|------------------------|------|
| | Year ended 31 December | |
| | 2021 | 2020 |
| 10,000 to 100,000 | 1 | — |
| 100,000 to 200,000 | 1 | — |
| 200,000 to 300,000 | — | 6 |
| 300,000 to 400,000 | 1 | — |
| 400,000 to 500,000 | 1 | 2 |
| 500,000 to 600,000 | 1 | 2 |
| 600,000 to 700,000 | 2 | — |
| 700,000 to 800,000 | 1 | — |

Further particulars regarding Directors' remuneration are set out in note. XIV to the financial statements of this annual report.

During the Reporting Period, the Remuneration and Evaluation Committee actively performed its duties and responsibilities. It convened 3 meetings in total to consider, among others, the payment of remunerations to senior management for 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the end of the Reporting Period and up to the Reporting Date, the Audit and Risk Management Committee consisted of three Directors, namely Mr. Shu Wa Tung, Laurence (independent non-executive Director), Mr. Ye Yong (independent non-executive Director) and Mr. Yang Bin (non-executive Director), and Mr. Shu Wa Tung, Laurence served as the chairman of the Audit and Risk Management Committee, who holds professional qualifications in accountancy.

CORPORATE GOVERNANCE REPORT

The primary duties of the Audit and Risk Management Committee include: (a) advising to the Board on the appointment, renewal, change or dismissal of external auditor and submitting the same to the Board for approval; approving and reviewing audit fees and appointment terms for external auditor; (b) reviewing and supervising the independence and objectivity of the external auditor and the effectiveness of the audit procedures according to applicable standards, and discussing issues related to the nature, category and reporting responsibility of auditing with external auditor before the auditing work starts; (c) formulating and implementing policies of non-audit services provided by external auditor, reporting and advising to the Board the actions they deem necessary to be taken or matters to be improved; (d) reviewing and supervising the completeness of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and reviewing the important opinions on the financial reporting recorded in the financial statements and financial reports; (e) reviewing the Company's financial overseeing, internal control and risk management systems, monitoring the implementation of such system on an on-going basis, and ensuring that the effectiveness of the Company's risk management and internal control systems is reviewed at least once a year; (f) reviewing the compliance by the Company with the applicable Corporate Governance Code and the disclosure requirements of corporate governance report as required by the regulatory rules at the place where the Shares are listed; (g) discussing on the risk management and internal control systems with the management of the Company to ensure the establishment of an effective internal control system by the management, supervising the effective implementation of internal control and the self-assessment conditions of internal control, and coordinating internal control audit and other related matters; (h) reviewing the Company's financial and accounting policies and practices; (i) confirming the list of the Company's related/connected parties and reporting to the Board and the Supervisory Committee; conducting a preliminary review of the related/connected transactions to be submitted to the Board for consideration and approval; and reviewing the reasonableness and necessity of major related/connected transactions; (j) reviewing internal control valuation report reported by the internal Audit Department; and (k) supervising and controlling the risks that the Company is legally affected by the overseas sanctions to ensure a timely, complete and accurate disclosure of information related to the transactions subject to sanctions in accordance with such laws. Please refer to the Terms of Reference of the Audit and Risk Management Committee for details.

During the Reporting Period, the Audit and Risk Management Committee actively performed its duties and convened 8 meetings in total to consider issues such as cessation of re-appointment of the international auditor and appointment of the domestic auditor of the Company, supervising the implementation of the Company's internal audit system and reviewing the financial statements and auditor's report for the year of 2020, the 2020 annual results announcement and the 2020 annual report of the Company, the 2021 interim report of the Company and the Company's management over connected transaction-related matters, and independently evaluated and supervised the compliance, legality and effectiveness of the Company's economic activities.

The Audit and Risk Management Committee had reviewed the annual results announcement and annual report of the Company for the year 2021.

CORPORATE GOVERNANCE REPORT

STRATEGY AND DEVELOPMENT COMMITTEE

As at the end of the Reporting Period and up to the Reporting Date, the Strategy and Development Committee consisted of three Directors, including Mr. Yang Tan (executive Director), Ms. Wang Xiao (executive Director) and Mr. Shu Wa Tung, Laurence (independent non-executive Director), and Mr. Yang Tan served as the chairman of the Strategy and Development Committee.

The primary duties of the Strategy and Development Committee include: (a) establishing the basic framework for the Company's strategy-making procedures, studying and advising on the Company's medium and long-term strategic development plan; (b) studying and advising on major financing and investment plans which, according to the Articles of Association, should be approved by the Board or at the general meeting; (c) auditing and advising on the Company's annual business plan; (d) conducting study and advising on major capital operation and asset management projects which are required to be approved by the Board or at the general meeting according to the Articles of Association; (e) studying and advising on the plans for corporate reorganization, mergers and acquisitions, equity transfer, restructuring, organizational restructuring which, according to the Articles of Association, should be approved by the Board or at the general meeting; (f) studying and advising on other major events which may have influence in the Company's development; (g) conducting post-investment project assessments; and (h) supervising the implementation of the above matters. Please refer to the Terms of Reference of the Strategy and Development Committee for details.

During the Reporting Period, the Strategy and Development Committee actively performed its duties and convened 6 meetings in total to conduct research into and consider, among other things, the Company's investment in 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is dedicated to the establishment and maintenance of a sound internal control system. The internal control system of the Company covers corporate governance, operation, management, legal affairs, finance and auditing. The Company has established internal rules and systems pursuant to the Company Law, the Listing Rules and other relevant laws and regulations, such as the Rules of Procedures for Shareholders' General Meetings, Rules of Procedures for Board Meetings, Rules of Procedures for Supervisory Committee Meetings and the terms of reference for specific committees, which stipulate, among others, the duties and responsibilities of the Board and the Supervisory Committee. The Company has adopted and implemented risk management policies and corporate governance measures in various aspects of the business operations such as financial reporting, legal compliance and human resources management.

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness through the Audit and Risk Management Committee. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

Procedure for identifying, assessing and managing major risks

The Company has complied with the Risk Management Measures of Chengdu Expressway Co., Ltd. to clearly define the risk management process. The risk management process includes initial risk information collection, risk assessment, risk response as well as supervision and improvement of internal control and risk management.

Initial risk information collection: extensively and continuously collects internal and external initial information related to the Company's risks and risk management through various internal and external information collection channels, including historical data, future forecasts and risk loss cases of the Company and related domestic and foreign enterprises. The Company regularly conducts an initial risk information collection to implement dynamic management of the risk information.

Risk assessment: the Company conducts risk assessment based on the initial risk information collected regularly and various business management activities and its major business processes. The Company conducts a risk assessment at least once a year based on the initial risk information collection.

Risk response: according to its own conditions and external environment, the Company determines the risk appetite, risk tolerance, risk management effectiveness criteria, and selects appropriate risk management tools such as risk exposure, risk aversion, risk transfer, risk conversion, risk hedging, risk compensation and risk control based on the corporate development strategies. The Company set up risk management and control objectives annually.

Internal control: the Company formulates the corresponding internal control measures according to the inherent risks of each business process based on the Company's risk appetite, risk tolerance and risk management effectiveness criteria.

Supervision and improvement of risk management: after each department implements risk management control according to the response strategies, the department head shall regularly report to the management at the general manager's office meeting on the progress of the control and the updated information on the relevant risk changes collected during the implementation, so as to enable the management to timely receive the dynamic results of risk changes and make response actions. The Audit and Supervision Department will also employ a third-party organization to conduct control testing on the implementation by the departments implementing the risk response strategies according to the requirements of the Company's management, supervise the results of risk changes, and assist the departments in adjusting the risk response strategies in a timely manner.

CORPORATE GOVERNANCE REPORT

Characteristics of risk management and internal control system

The Company has established a three-tier prevention system for risk management, in which each department, excluding those in the second tier, acts as the first tier, and the Audit and Supervision Department, the Finance Department, the Party-masses Human Resources Department and the Audit and Risk Management Committee act as the second tier. The Audit and Supervision Department tracks and inspects risk management from aspects of internal control assessment, risk management evaluation and internal audit and the Finance Department and Party-masses Human Resources Department conduct centralised management over special risks in finance management and human resources management. The Audit and Supervision Department plays a dominant role among the three departments, and the Board acts as the third tier.

All departments of the Company and its subsidiaries shall implement their respective basic risk management process, following the organization, coordination, guidance and supervision of the Audit and Supervision Department of the Company in the overall risk management work.

The Audit and Risk Management Committee is comprehensively responsible for the Company's risk management work and is accountable to the Board. The Audit and Supervision Department is the designated management department for the Company's risk management work, responsible for the daily organization and coordination of the Company's risk management, and is accountable to the Company's Audit and Risk Management Committee. In the aspect of risk management, the Audit and Supervision Department is mainly responsible for studying and reviewing the comprehensive risk management supervision and evaluation system, formulating relevant systems for supervision and evaluation, conducting supervision and evaluation, and issuing annual work report of the Audit and Risk Management Committee of the Board.

The Board is accountable to the general meetings for the effectiveness of the risk management.

Procedure for reviewing the effectiveness of risk management and internal control system

During the Reporting Period, the Audit and Supervision Department employed a third-party organization to conduct control testing on the implementation and internal control effectiveness of the departments implementing the risk response strategies according to the requirements of the Company's management, and assist the departments in adjusting the risk response strategies in a timely manner. At the end of each year, each department shall conduct risk self-assessment work based on the risk management objectives and control tables, the implementation conditions and results of the risk response strategies, and re-evaluate the probability of occurrence of major risks at each of the control points in the departments. At the same time, the Audit and Supervision Department or the external third-party organization shall review the risk self-assessment score based on the control testing results, and issue an annual risk assessment and improvement report, which will finally be submitted to the Board for review.

Procedure for addressing serious internal control defect

The Company has formulated a corresponding rectification plan for internal control defects based on the results of the annual internal control assessment results. The Audit and Supervision Department will conduct follow-up audits within a certain period after the audit to check the implementation status and effectiveness of the rectification.

CORPORATE GOVERNANCE REPORT

On-going measures to monitor the implementation of risk management policies

The Audit and Risk Management Committee and senior management of the Company monitor the implementation of the risk management policies of the Company on an on-going basis to ensure that the Company's internal control system is effective in identifying, managing and mitigating risks involved in the operations. The Company has established the Audit and Supervision Department which is responsible for audit, internal control management, risk management and legal affairs.

The Company has conducted an annual review on the effectiveness of the Company's risk management and internal control during the Reporting Period. The Board considers that, during the Reporting Period, in terms of such businesses and matters as included in the scope of assessment, the Company had put in place risk management and internal control which had been implemented effectively with the Company's risk management and internal control objectives being accomplished. The internal control system was effective and sufficient and there were no significant defects.

The Company has engaged an international advisory firm to supervise the Company's formulation and implementation of the internal control of the Company. The head of each department of the Company will regularly update the risk register and related risks and report and make recommendation for prevention to the Board. The Company will continuously optimise the risk management and internal control systems based on its existing systems, and will practically establish, perfect and implement corporate risk management and internal control system with definite division between powers and duties, scientific management and efficient implementation.

Inside information management

The Company has implemented a registration and filing system for the insiders, who should bear the responsibility of confidentiality for the inside information they know. The Company shall disclose the inside information to the public as soon as reasonably practicable after knowing any inside information or after the information has been identified as inside information by the Company's Board or the inside information management team, except for the inside information which is temporarily non-discloseable under the laws and regulations and regulatory rules. Regarding the aforementioned temporarily non-discloseable inside information, the Company shall take relevant measures to keep the inside information strictly confidential, and once the inside information is leaked, the Company shall immediately disclose it to the public, or (if necessary) apply for trading halt or suspension of trading of the Company's securities.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flows for that period. The Company deploys appropriate and sufficient resources to prepare financial statements. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit and Risk Management Committee and the Board, and respond to the queries and concerns raised by the Audit and Risk Management Committee and the Board to their satisfaction. The financial statements have been prepared in accordance with the China Accounting Standards for Business Enterprises and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The reporting responsibilities of the Company's auditor for the Company's financial statements for the year ended 31 December 2021 are set out in the independent auditor's report in this annual report.

INDEPENDENCE OF EXTERNAL AUDITOR

The Audit and Risk Management Committee is responsible for monitoring the independence of the Company's external auditor and determining the remuneration standards of the external auditor to ensure that their capacity in giving independent and objective opinions on the Company's financial statements or any other letters will not be prejudiced due to the provision of non-audit services.

All services provided and fees charged by the Company's external auditor are subject to approval by the Audit and Risk Management Committee to ensure a balance between their objectivity and economic interests. Except for interim review and annual audit services, the Company's external auditor generally may only provide limited services on tax related issues or specially approved items, including but not limited to merger and acquisition or financial due diligence and other accounting advice.

The Audit and Risk Management Committee of the Company regularly discusses the independence and objectivity of the external auditor. The Company also disclosed in detail the audit service fees paid by the Company to the external auditor in its annual reports in accordance with the requirements of the Corporate Governance Report of Appendix 14 of the Listing Rules (including any entity that is under common control, ownership or management with Ernst & Young Hua Ming LLP or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of Ernst & Young Hua Ming LLP nationally or internationally) and non-auditing service fees, if any.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the remuneration payable by the Company to its auditor is set out below:

| Item | Amount | Auditor |
|-----------------------|-----------|----------------------------|
| | (RMB) | |
| Audit services | | |
| Auditing fee for 2021 | 1,698,113 | Ernst & Young Hua Ming LLP |
| Total | 1,698,113 | |

For the year ended 31 December 2021, the Company did not have any non-auditing service fees payable to the auditor.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Zhang Guangwen, the Secretary to the Board, and Ms. Kwong Yin Ping, Yvonne, president of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Zhang Guangwen possesses the qualifications of company secretary as required under Rule 3.28 of the Listing Rules as confirmed by the Stock Exchange and Ms. Kwong Yin Ping, Yvonne also possesses the qualifications of company secretary as required under Rule 3.28 of the Listing Rules. The joint company secretaries are mainly responsible for facilitating the operation of the Board, ensuring the effective information communications among the members of the Board and the compliance with the policies and procedures of the Board, and ensuring the compliance with the Listing Rules and other regulations by the Company. Ms. Kwong Yin Ping, Yvonne's primary contact person of the Company is Mr. Zhang Guangwen.

In order to comply with the requirements of Rule 3.29 of the Listing Rules, during the year ended 31 December 2021, Mr. Zhang Guangwen and Ms. Kwong Yin Ping, Yvonne had attended relevant professional trainings for not less than 15 hours respectively.

All Directors have access to the advice and services from the joint company secretaries of the Company on corporate governance and the Board's practices and matters to ensure the compliance with the Board's procedures and all applicable laws, rules and regulations.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS

According to Article 67 of the Articles of Association, an extraordinary general meeting shall be convened upon request in writing by Shareholders, either individually or in aggregate, holding more than 10% of the Company's issued voting Shares. Please refer to Article 108 of the Articles of Association for the specific procedures for Shareholders to convene an extraordinary general meeting.

According to Article 70 of the Articles of Association, Shareholders, either individually or in aggregate, holding more than 3% of the Shares of the Company shall have the right to propose new proposals in writing to the Company, and the Company shall include the proposals into the agenda of such general meeting if they fall within the functions and powers of the general meeting.

The Company considers that effective communications with Shareholders are essential for enhancing the relations between investors and the Company, and investors' understanding of the Company's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders through general meetings. At the general meetings, Directors (or their delegates as appropriate) will meet Shareholders and answer their enquiries.

For putting forward proposals at the general meeting or any enquiries to the Board, Shareholders may send written proposals or enquiries to the Company. The details of contact information are set forth as follows:

| | |
|-----------------|---|
| Address: | Chengdu Expressway Co., Ltd. 9th Floor, Chengnan Tianfu Building No. 66 Shenghe 1st Road, High-Tech Zone Chengdu |
| Contact Number: | 86 28 86056063 |
| Fax: | 86 28 86056070 |
| E-mail: | cggfdb@chengdugs.com |

The Company will strictly abide by its statutory obligations in respect of information disclosure, and carry out investor relations activities through various forms to actively promote the image of the Company, convey information to investors in a timely manner and consider their opinions and advices carefully, aiming to form a benign interaction between the Company and investors.

When conducting its investor relations work, the Company will actively communicate with investors through various manners, including setting up a platform on the website of the Company, telephone and e-mail.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company has adopted a dividend policy, and the formulation and implementation of the dividend policy conform to the provisions of the Articles of Association.

The dividend policy of the Company regulates that the proposed dividends shall be determined by the Board based on factors including: (i) the Company's actual and expected financial performance; (ii) the Company's profits and reserves available for distribution; (iii) the Company's working capital demands, capital expenditure demands and future expansion plans; (iv) the liquidity position of the Company; (v) the macroeconomic conditions and internal or external factors that may affect the business, financial performance and position of the Company; (vi) statutory and regulatory restrictions relating to dividend distribution; (vii) provisions of the Articles of Association, and shall be declared subject to the consideration and approval by Shareholders at the general meeting.

After the general meeting has passed a resolution on the profit distribution plan, the Board shall complete the distribution and payment of dividends within 2 months after the general meeting is held.

The cash dividends and other payments payable by the Company to the holders of the Domestic Shares shall be denominated and declared in RMB, and paid in RMB. The cash dividends and other payments payable by the Company to the holders of the H Shares shall be denominated and declared in RMB, and paid in Hong Kong dollars.

ARTICLES OF ASSOCIATION

The full text of the Articles of Association can be found in the publication dated 7 August 2020 on the websites of the Company and the Hong Kong Stock Exchange.

DIRECTORS' REPORT

The Board is pleased to present this report and the audited financial statements of the Group for the year ended 31 December 2021.

GROUP ACTIVITIES AND PERFORMANCE

The Group is primarily engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province, the PRC and also carries out retail of refined oil and operation of CNG.

The Company's results for the year ended 31 December 2021 and the financial position of the Company as at the same date are set out in the audited financial statements of this annual report.

BUSINESS REVIEW

Description of the fair review of the Group's business and the analysis using the financial key performance indicators, and future prospects of the Group's business are set out in the sections headed "Financial and Operational Highlights", "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

FINANCIAL HIGHLIGHTS

The Company's results and financial position for the past five financial years are summarised and set out in the section headed "Financial and Operational Highlights" of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in reserves of the Group during the Reporting Period are set out in the section headed "Consolidated Balance Sheet" and note VI.28-31 to the financial statements of this annual report. The total amount of the reserve distributable to equity Shareholders as at the end of the Reporting Period was approximately RMB1,308,271,876.

DIRECTORS' REPORT

DIVIDENDS

According to the Reply on the Profit Distribution in the Consolidated Financial Statements issued by the Ministry of Finance, the profit distribution of companies that prepare consolidated accounting statements shall be based on the distributable profits of the parent company. As such, the Board proposed to make profit distribution based on the relevant data stated in the financial statements of the parent company (i.e. the financial statements of the Company) which is prepared in accordance with the China Accounting Standards for Business Enterprises. In 2021, the Company realised net profit of RMB398,783,502, of which distributable profit was RMB358,905,152.

The Board recommended a final cash dividend for 2021 of RMB0.141 per Share (tax inclusive), totaling RMB233,510,382 based on the Company's current total number of Shares of 1,656,102,000. The dividend distribution proposal is subject to the approval by the Shareholders at the AGM to be held on 13 May 2022. If approved, the final dividends are expected to be paid on 12 July 2022 to Shareholders whose names appear on the register of members of the Company on 24 May 2022. Dividends payable to the holders of Domestic Shares will be paid in RMB, and dividends payable to the holders of H Shares will be paid in Hong Kong dollars. The amount of Hong Kong dollars payable will be calculated based on the average central parity rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China during the calendar week prior to the announcement of declaration of the final dividend at the AGM (if approved).

The amount of dividends proposed for 2021 accounted for approximately 65.1% of the distributable profits stated in the financial statements of the Company during the year.

As of the Reporting Date, the Company was not aware of any arrangements pursuant to which any shareholder had waived or agreed to waive any dividends.

TAXATION ON DIVIDENDS

Pursuant to the Enterprise Income Tax Law of the PRC and its implementing regulations (hereinafter collectively referred to as the "EIT Law"), the tax rate of the enterprise income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders as defined under the EIT Law. The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% enterprise income tax withheld and paid by the Company on their behalf.

According to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Company shall withhold and pay individual income tax for individual Shareholders of the H Shares. If the individual Shareholders of the H Shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

DIRECTORS' REPORT

If the individual Shareholders of the H Shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of such Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2015, No. 60) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to approval of the competent tax authority.

If the individual Shareholders of the H Shares are residents of the countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of the countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

Shareholders are required to consult their tax advisors as to Mainland China, Hong Kong and other tax implications regarding the ownership and disposal of H shares of the Company.

CLOSURE OF REGISTER OF MEMBERS

The 2021 AGM will be convened on Friday, 13 May 2022. In order to ascertain Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 13 April 2022 to Friday, 13 May 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all duly completed transfer forms accompanied by the relevant Share certificates shall be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Tuesday, 12 April 2022. Shareholders whose names appear on the register of members of the Company on Wednesday, 13 April 2022 shall be eligible to attend the AGM.

The register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for receiving the final dividends, holders of H Shares shall lodge transfer documents with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Wednesday, 18 May 2022. Shareholders whose names appear on the register of members of the Company on Tuesday, 24 May 2022 shall be eligible to receive final dividends.

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient public float in compliance with the Listing Rules as at the Reporting Date.

SHARE CAPITAL

During the Reporting Period, there was no change in the share capital of the Company. As at the Reporting Date, the total share capital of the Company amounted to RMB1,656,102,000, which represented 1,656,102,000 issued Shares with a nominal value of RMB1.00 each. The share capital structure of the Company as at the Reporting Date was as follows:

| Class of Shares | Number of Shares | Percentage to the total issued share capital |
|-----------------|------------------|--|
| Domestic Shares | 1,200,000,000 | 72.46% |
| H Shares | 456,102,000 | 27.54% |
| Total | 1,656,102,000 | 100% |

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of 31 December 2021, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2021, based on the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Company's Directors, Supervisors and chief executive) or corporations had interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 336 of the SFO:

Domestic Shares

| Name of Shareholders | Nature of interest and capacity | Class of Shares | Long position/ Short position | Number of Shares interested | Percentage of relevant class of Shares as at the Reporting Date | Percentage of total issued share capital as at the Reporting Date |
|--|------------------------------------|-----------------|----------------------------------|-----------------------------|---|---|
| Chengdu Communications Investment ¹ | Interest in controlled corporation | Domestic Shares | Long position | 900,000,000 | 100% | 72.46% |
| | Beneficial owner | Domestic Shares | Long position | 300,000,000 | | |
| Chengdu Expressway Construction ² | Beneficial owner | Domestic Shares | Long position | 900,000,000 | 75% | 54.34% |

Notes:

- (1) Chengdu Communications Investment is wholly owned by Chengdu State-owned Assets Supervision and Administration Commission.
- (2) Chengdu Expressway Construction is held as to 81.51% and 18.49% by Chengdu Communications Investment and CCB Gold Investment, respectively. On 3 March 2021, CCB Gold Investment acquired 18.49% equity interests in Chengdu Expressway Construction.

DIRECTORS' REPORT

H Shares

| Name of Shareholders | Nature of interest and capacity | Class of Shares | Long position/ Short position | Number of Shares interested | Percentage of relevant class of Shares as at the Reporting Date | Percentage of total issued Share capital as at the Reporting Date |
|---|------------------------------------|-----------------|----------------------------------|-----------------------------|---|---|
| Guangdong Provincial Communication Group Company Limited (廣東省交通集團有限公司) ¹ | Interest in controlled corporation | H Shares | Long position | 100,000,000 | 21.92% | 6.04% |
| Xin Yue Company Limited (新粵有限公司) ¹ | Beneficial owner | H Shares | Long position | 100,000,000 | 21.92% | 6.04% |
| Chengdu Xiecheng Asset Management Co., Ltd. (成都市協成資產管理有限責任公司) ² | Interest in controlled corporation | H Shares | Long position | 50,000,000 | 10.96% | 3.02% |
| Chengdu Jiaozi Financial Holding Group Co., Ltd. (成都交子金融控股集團有限公司) ² | Beneficial owner | H Shares | Long position | 50,000,000 | 10.96% | 3.02% |
| Chengdu Rail Transit Group Co., Ltd. (成都軌道交通集團有限公司) ³ | Interest in controlled corporation | H Shares | Long position | 49,950,000 | 10.95% | 3.02% |
| Chengdu Rail Industrial Investment Group Co., Ltd. (成都軌道產業投資集團有限公司) (formerly known as Chengdu Rail Industrial Investment Co., Ltd. (成都軌道產業投資有限公司)) ³ | Beneficial owner | H Shares | Long position | 49,950,000 | 10.95% | 3.02% |
| Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) ⁴ | Investment manager | H Shares | Long position | 49,900,000 | 10.94% | 3.01% |
| Chengdu Urban Construction Investment Management Group Co., Ltd. (成都城建投資管理集團有限責任公司) | Beneficial owner | H Shares | Long position | 49,900,000 | 10.94% | 3.01% |
| Chengdu Environment Investment Group Company Limited (成都環境投資集團有限公司) | Beneficial owner | H Shares | Long position | 45,450,000 | 9.96% | 2.74% |
| Chengdu Tianfu New Area Investment Group Co., Ltd. (成都天府新區投資集團有限公司) ⁵ | Interest in controlled corporation | H Shares | Long position | 42,939,000 | 9.41% | 2.59% |
| Chengdu Tianfu Capital Investment Co., Ltd. (成都天府資本投資有限公司) ⁵ | Trust beneficiary | H Shares | Long position | 42,939,000 | 9.41% | 2.59% |
| Chengdu Industry Investment Group Co., Ltd. (成都產業投資集團有限公司) ⁶ | Interest in controlled corporation | H Shares | Long position | 25,646,000 | 5.62% | 1.55% |
| Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資有限公司) ⁶ | Beneficial owner | H Shares | Long position | 25,646,000 | 5.62% | 1.55% |

DIRECTORS' REPORT

Notes:

- (1) Guangdong Provincial Communication Group Company Limited holds interests in 100,000,000 H Shares of the Company through its wholly-owned subsidiary, Xin Yue Company Limited.
- (2) Chengdu Jiaozi Financial Holding Group Co., Ltd. is owned as to 40% by Chengdu Xiecheng Asset Management Co., Ltd. Chengdu Jiaozi Financial Holding Group Co., Ltd. is interested in 50,000,000 H Shares of the Company.
- (3) Chengdu Rail Industrial Investment Group Co., Ltd. is wholly-owned by Chengdu Rail Transit Group Co., Ltd. Chengdu Rail Industrial Investment Group Co., Ltd. holds interests in 49,950,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd (中誠信託有限責任公司).
- (4) As an investor manager, Fullgoal Fund Management Co., Ltd. holds interests in 49,900,000 H Shares of the Company. The fund it manages is the Fullgoal Fund Global Allocation No. 6 QDII-Asset Management Plan (富國基金全球配置6號 QDII – 資產管理計劃).
- (5) Chengdu Tianfu New Area Investment Group Co., Ltd. holds 100% interests in Chengdu Tianfu Capital Investment Co., Ltd.. Chengdu Tianfu Capital Investment Co., Ltd. holds interests in 42,939,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd.
- (6) Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is wholly owned by Chengdu Industry Investment Group Co., Ltd. Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is interested in 25,646,000 H Shares of the Company through investment in the Chengxin No. 103 Trusted Overseas Wealth Management Project of China Credit Trust (中誠信託誠信海外配置103號受託境外理財項目).

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any person (other than Directors, Supervisors or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares of the Company which would be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Maintaining good relationships with major service providers is essential in the supply chain, property management and meeting business needs, which can generate cost-effectiveness and promote long-term business benefits. Our major service providers include oil and gas supplier, equipment supplier, engineering material supplier, external consultant providing professional services and other business partners who provide value-added services to the Group.

The total purchase amount of the Group during the Reporting Period amounted to approximately RMB1,320,553,585, of which purchases from the five largest suppliers of the Group accounted for 86.9% of our total purchase amount, and purchase from the largest supplier accounted for 55.0% of our total purchase amount.

Given the nature of our expressway and energy business, the Group did not have any single customer that contributed more than 5% to the revenue of the Group, or that was otherwise material to it during the Reporting Period. During the Reporting Period, the sales of the Group to the five largest customers accounted for not more than 30% of the total sales of the Group.

None of the Directors, Supervisors, their respective close associates, or any of the Shareholders who, to the knowledge of our Directors, owns more than 5% of the Company's Shares in issue, had any interest in any of our top five suppliers.

LIST OF DIRECTORS

The list of Directors during the Reporting Period and as at the Reporting Date, save as otherwise stated, was set out in the sub-section headed "Biographical Details of Directors" of "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of Directors, Supervisors and senior management were set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the non-exempt connected transaction disclosed in this annual report, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries entered into any significant transactions, arrangements or contracts which are relevant to the Group's business and in which, a Director or Supervisor of the Company or his or her connected entity had direct or indirect material interests, and subsisted as at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors of the Company has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into service contract with the Company. None of the Directors or Supervisors has entered into a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of Shares or debentures of the Company or of any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company maintained Directors' liability insurance to protect them from any loss to which the Directors of the Company might be liable arising from their actual or alleged misconduct. Such insurance was valid throughout the financial year ended 31 December 2021 and still remains in effect as at the Reporting Date.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

COMPLIANCE WITH THE NON-COMPETITION AGREEMENT

On 29 June 2017, the Company and Chengdu Communications Investment entered into a non-competition agreement and supplemental agreement to the non-competition agreement on 25 May 2020 (collectively, the "Non-competition Agreement"), pursuant to which Chengdu Communications Investment has irrevocably undertaken that, Chengdu Communications Investment and its subsidiaries (excluding the Group) will not, during the term of the Non-competition Agreement, and will procure their associates not to, directly or indirectly, engage in, individually or jointly, with other entities, or assist to engage in or participate in any business which competes with the Group's principal business in Sichuan Province, the PRC.

In addition, Chengdu Communications Investment has undertaken to grant the Company an option to acquire new business opportunities that may compete, directly or indirectly, with the principal business of the Group, and acquisition options and right of first refusal for the new competing business (as defined in the Prospectus) and retained business. For details of the Non-competition Agreement, please refer to the section headed "Relationship with Our Controlling Shareholders" of the Prospectus, the announcement of the Company dated 25 May 2020 and circular dated 10 July 2020.

DIRECTORS' REPORT

During the Reporting Period, the Company received a letter from Chengdu Communications Investment inquiring with the Company on whether to participate in (1) the bidding of expressway bundling project of three expressways including G7611 Line Xichang to Shangri-La (Sichuan section); and (2) the bidding of the Tianfu New District – Meishan – Leshan Expressway (天府新區經眉山至樂山高速公路) project.

With respect to (1) above, as stated in the announcement of the Company dated 21 July 2021, Chengdu Communications Investment joined with other bidders as a consortium to participate in the bundling project of three expressways including (i) G7611 Line Xichang to Shangri-La (Sichuan section), (ii) Xichang to Ningnan and (iii) Huili to Luquan (Sichuan section). Parties to the consortium will jointly set up a project company to be responsible for the investment, financing, construction, management and operation of the project. Chengdu Communications Investment inquired with the Company in the letter whether the Company would exercise relevant rights and participate in the investment. After making analysis of the project, all independent non-executive Directors of the Company are of the view that: (i) the Company proposes to focus on acquiring or investing in expressway projects with a reasonable return on investment. The project, although with certain profitability, has a relatively low return on investment; (ii) it is expected that the project will be in a loss-making position during the first 10 years out of its up to 30 years of concession periods and the Company is expected to bear long-term and continuous losses if it invests in the project, the amount of which will have a material negative impact on the results of the Company; and (iii) estimated based on the total investment amount, expected shareholding percentage of the Company in the project company and the assumption of registered capital of the project company being 20% of the total investment amount of the project, the Company is expected to contribute approximately RMB2.27 billion to the registered capital of the project company (and the Company may also bear the guarantee liabilities for debt financing of the project in subsequent periods) if it is to participate in the project, which will exert substantial pressure on the liquidity of the Company and have a material impact on its follow-up financing capacity. Taking into comprehensive consideration of the above factors, all independent non-executive Directors of the Company have resolved that the Company will not participate in the investment, construction and operation of the project, provided that the Company shall at all times be entitled to exercise the acquisition option, right of first refusal and other rights under the Non-competition Agreement. For details, please refer to the announcement of the Company dated 21 July 2021.

With respect to (2) above, as stated in the announcement of the Company dated 8 October 2021, the bidders proposed to work as a consortium to participate in the Tianfu New District – Meishan – Leshan Expressway project. Parties to the consortium will jointly set up a project company to be responsible for the investment, financing, construction, management and operation of the project. After making analysis of the project, all independent non-executive Directors of the Company are of the view that: (i) the Company proposes to focus on acquiring or investing in expressway projects with a reasonable return on investment. The project, although with certain profitability, has a relatively low return on investment; (ii) the project will take a longer investment payback period, and the Company is expected to suffer long-term and continuous losses if it invests in the project, the amount of which will have a material negative impact on the results of the Company; and (iii) estimated based on the total investment amount, expected investment participation of 19.5% shareholding in the project company and the assumption of registered capital of the project company being 20% of the total investment amount of the project, the Company is expected to contribute approximately RMB1.19 billion to the registered capital of the project company (and the Company may also bear the guarantee liabilities for debt financing of the project in subsequent periods) if it is to participate in the project, which will exert substantial pressure on the liquidity of the Company and have a relatively material impact on its follow-up financing capacity. Taking into comprehensive consideration of the above factors, all independent non-executive Directors of the Company have resolved that the Company will not participate in the investment, construction and operation of the project, provided that the Company shall at all times be entitled to exercise the acquisition option, right of first refusal and other rights under the Non-competition Agreement. For details, please refer to the announcement of the Company dated 8 October 2021.

Chengdu Communications Investment has provided a written confirmation to the Company, confirming that it has duly complied with all provisions and requirements under the Non-competition Agreement during the Reporting Period.

The independent non-executive Directors have reviewed all the necessary materials provided by Chengdu Communications Investment for compliance with the Non-competition Agreement and confirmed that as at the Reporting Date, Chengdu Communications Investment has fully complied with and did not breach any terms and requirements of the Non-competition Agreement.

DIRECTORS' REPORT

NON-EXEMPT CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

During the Reporting Period, the Company has conducted the following non-exempt continuing connected transactions.

Property Leasing Framework Agreement

| | |
|---|---|
| Parties and connected relations: | The Company and Chengdu Communications Investment (the ultimate controlling shareholder of the Company and thus a connected person of the Company) |
| Date and term: | 7 August 2020 for a term commencing from 1 January 2021 to 31 December 2023. For details, please refer to the announcement of the Company dated 7 August 2020. |
| Subject: | Chengdu Communications Investment Group may lease properties to the Group. |
| Pricing principle: | Determined at arm's-length negotiations between relevant parties and with reference to the prevailing market price of local properties in vicinity with similar size and quality. |
| Annual cap during the Reporting Period: | Right-of-use assets with a total amount of RMB17 million |
| Amount actually incurred: | RMB5.126 million |

DIRECTORS' REPORT

General Services Framework Agreement

| | |
|---|--|
| Parties and connected relations: | The Company and Chengdu Communications Investment (the ultimate controlling shareholder of the Company and thus a connected person of the Company) |
| Date and term: | 7 August 2020 for a term commencing from 1 January 2021 to 31 December 2023. For details, please refer to the announcement of the Company dated 7 August 2020. |
| Subject: | Chengdu Communications Investment and its associates may provide the following general services to the Group: to provide property management service and water and electricity services, elevator access control card service, parking management service and repair and maintenance services to the properties of Chengdu Communications Investment and its associates leased by the Group; and to provide management and leasing services and staff canteen catering service to the properties owned by the Group; and to provide other general services as agreed by both parties to the Group. |
| Pricing principle: | Determined based on the general principles and in the following order: (1) Adopting market price; (2) If no market price is available or the principles above are not applicable in actual transactions, the agreed price shall be adopted. |
| Annual cap of total transactions during the Reporting Period: | RMB7.3 million |
| Amount actually incurred: | RMB2.636 million |

DIRECTORS' REPORT

Refined Oil Framework Agreement

| | |
|---|--|
| Parties and connected relations: | Zhongyou Energy and PetroChina Chengdu Sales Branch (a branch of PetroChina, a substantial shareholder of Zhongyou Energy and therefore a connected person of the Company) |
| Date and term: | Entered into on 7 August 2020 for a term commencing from 7 August 2020 to 31 December 2022. For details, please refer to the announcement of the Company dated 7 August 2020. |
| Subject: | Zhongyou Energy may purchase specific types of refined oil (including transportation service) from PetroChina Chengdu Sales Branch. |
| Pricing policy: | PetroChina Chengdu Sales Branch shall supply refined oil to Zhongyou Energy at most favourable selling price which shall not exceed the prevailing transfer price of PetroChina Sichuan Sales Branch (being the arrival price which includes the cost of transportation service, and such transfer price shall not exceed the prevailing guidance price of refined oil published by the National Development and Reform Commission on its official website, and pursuant to the Measures for the Administration of Petroleum Prices (《石油價格管理辦法》) promulgated by the National Development and Reform Commission on 13 January 2016, the adjustment guidance prices are issued every 10 working days) on the date of issuing of the sales invoice. |
| Annual cap of total transactions during the Reporting Period: | RMB1,100 million |
| Amount actually incurred: | RMB642.823 million |

DIRECTORS' REPORT

Entrusted Operation and Management Contract

| | |
|---|--|
| Parties and connected relations: | Operation Company and Chengming Expressway Company (a connected subsidiary of the Company and therefore a connected person of the Company) |
| Date and term: | Entered into on 20 May 2020 for a term commencing from 1 May 2020 to 31 December 2022, which may be early terminated upon agreement by both parties due to change of controlling shareholder or de facto controller of Chengming Expressway Company. For details, please refer to the announcement of the Company dated 20 May 2020. |
| Subject: | Operation Company is entrusted by Chengming Expressway Company to take charge of the management of Qiongmeng Expressway and the operation and management of all its supporting facilities. |
| Pricing policy: | Determined after arm's-length negotiations between the two parties with reference to the Group's operation and management experience of toll expressways and estimation of potential revenue, cost and expenses arising from operation and management of Qiongmeng Expressway, which is on the same standards applied to operation and management by the Operation Company of the Group's other expressways. |
| Annual cap of total transactions during the Reporting Period: | RMB6.91 million |
| Amount actually incurred: | RMB5.934 million |

DIRECTORS' REPORT

The Company has confirmed that the execution and enforcement of the implementation agreements under the continuing connected transactions set above during the Reporting Period followed the pricing principles of such continuing connected transactions.

The independent non-executive Directors have reviewed and confirmed such continuing connected transactions have been entered into (i) in the usual and ordinary course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company have provided a letter to the Board and a copy of the auditor's letter has been provided by the Company to the Stock Exchange that, in respect of the above-mentioned continuing connected transaction: (i) nothing has come to their attention that causes them to believe that such continuing connected transaction has not been approved by the Board; (ii) nothing has come to their attention that causes them to believe that such continuing connected transaction was not conducted, in all material respects, in accordance with the relevant agreement governing the transaction; (iii) such continuing connected transaction has not exceeded the annual caps set by the Company; and (iv) nothing has come to their attention that causes them to believe that such continuing continued transaction (involving the provision of goods or services by the Group) was not conducted, in all material respects, in accordance with the pricing policies of the Group.

The Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules.

DIRECTORS' REPORT

NON-EXEMPT CONNECTED TRANSACTIONS

Entering into of the Construction Project Entrusted Management Contracts

On 17 March 2021, Energy Development Company and Chengdu Communications Investment entered into the Leijia Service Area Construction Project Entrusted Management Contract, Jintang Service Area Construction Project Entrusted Management Contract, Jianzhou New Town Service Area Construction Project Entrusted Management Contract, Sanxing Service Area Construction Project Entrusted Management Contract and Taiping Bridge Service Area Construction Project Entrusted Management Contract, pursuant to which Chengdu Communications Investment entrusts Energy Development Company to provide project construction management services for the Leijia Service Area in Chengzi Freeway (Jiayang New Section) Project, Jintang Service Area in Chengjinjian Freeway (Jintang Section I) Project, Jianzhou New Town Service Area in Chenglongjian Freeway (Phase II) Project, Sanxing Service Area in Phase II of Jinjianren Freeway (Jintang Avenue to East-West Axis) Project and Taiping Bridge Service Area in Phase II of Jinjianren Freeway (East-West Axis to Airport South Line) Project, and the management fee payable by Chengdu Communications Investment to Energy Development Company in this regard is estimated to be RMB0.953 million, RMB1.021 million, RMB0.579 million, RMB1.135 million and RMB1.164 million, respectively, and Chengdu Communications Investment may offer incentive payment equivalent to 10% of the management fees (maximum total amount estimated to be RMB5.337 million) to Energy Development Company subject to satisfaction of the agreed requirements. The construction projects include complex buildings, parking lots, petrol stations, charging stations and other relevant ancillary facilities of the service areas. The services to be provided by Energy Development Company for the above construction projects include but are not limited to supporting Chengdu Communications Investment in preliminary planning, economic analysis and project assessment of construction projects, conducting project tendering, project construction management and project inspection, acceptance and settlement on behalf of Chengdu Communications Investment, and carrying out trial operation and project maintenance management on behalf of Chengdu Communications Investment. As Chengdu Communications Investment is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules, the above Construction Project Entrusted Management Contracts and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 17 March 2021.

DIRECTORS' REPORT

Entering into of the Safety Management and Construction Compensation Agreements

Due to implementation of the expressway intelligent traffic control system project, Information Port Company needs to temporarily occupy certain main roads and green belts on the K1+184 to K37+076 section of Chengguan Expressway and K0+660 to K10+690 section of Chengdu Airport Expressway and set up necessary facilities along the way, and the Company, Operation Company and Chengdu Airport Expressway Company will provide safety supervision and construction coordination to Information Port Company during the construction process of the intelligent traffic control system projects of corresponding expressways. Accordingly, on 6 May 2021, Operation Company, Information Port Company and the Company entered into the Chengguan Expressway Safety Management and Construction Compensation Agreement, and Operation Company, Information Port Company and Chengdu Airport Expressway Company entered into the Chengdu Airport Expressway Safety Management and Construction Compensation Agreement. The construction compensation, performance bond (to be refunded to Information Port Company without interest after passing the project acceptance inspection and after deducting the amount and penalty (if any) as agreed therein) and safety supervision and construction coordination fee payable by Information Port Company to the Group in respect of the signing of the Safety Management and Construction Compensation Agreements is RMB6,289,564.25 in aggregate, including (i) the K1+184 to K37+076 section of Chengguan Expressway: safety supervision and construction coordination fee of RMB50,000, construction compensation of RMB4,785,555.25 and performance bond of RMB200,000; and (ii) the K0+660 to K10+690 section of Chengdu Airport Expressway: safety supervision and construction coordination fee of RMB50,000, construction compensation of RMB1,004,009 and performance bond of RMB200,000. All of the above payments have been settled by Information Port Company in cash. Information Port Company is a wholly-owned subsidiary of Chengdu Communications Investment, a controlling Shareholder of the Company, and is therefore a connected person of the Company. The Safety Management and Construction Compensation Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 6 May 2021.

DIRECTORS' REPORT

Entering into of the Asphalt Procurement Contract and the Tripartite Agreement

On 24 May 2021, Guocheng Group Co., Ltd. (國誠集團有限公司) ("Guocheng Group") entered into the Asphalt Procurement Contract with Energy Operation, pursuant to which, Guocheng Group shall procure asphalt from Energy Operation for the purpose of the construction project of SG7 bid section of Jinjianren Expressway (Phase II) (Jintang Avenue to Airport South Line). The unit settlement price of asphalt shall be determined after arm's-length negotiations between both parties with reference to the ex-factory price of asphalt as published at the website of www.baiinfo.com taking into account corresponding transportation expenses and other costs to be borne by Energy Operation, with the specific unit settlement price subject to the price adjustment letter to be affixed by both parties. Based on the quantity required and unit settlement price of asphalt estimated for the construction project, the consideration is estimated to be RMB36.01 million. On the same day, Energy Operation, Guocheng Group and Tianfu Airport Company entered into the Tripartite Agreement, pursuant to which, each party agrees that, if Guocheng Group fails to settle the payment of asphalt to Energy Operation as scheduled, Chengdu Communications Investment, the owner of the project, shall be entitled to deduct the corresponding amount from the construction payment due to Guocheng Group and pay such amount directly to Energy Operation. Chengdu Communications Investment is a controlling Shareholder of the Company and is therefore a connected person of the Company. Energy Operation is an indirect non-wholly-owned subsidiary of the Company. As (i) Guocheng Group entered into the Asphalt Procurement Contract with Energy Operation for the purpose of the construction project; and (ii) Energy Operation, Guocheng Group and Tianfu Airport Company entered into the Tripartite Agreement, specifying that Chengdu Communications Investment, as the owner of the construction project, shall be entitled to settle the payment of asphalt to Energy Operation on behalf of Guocheng Group subject to the conditions set out therein, Guocheng Group is therefore considered to be a "deemed connected person" of the Company under Rule 14A.20 of the Listing Rules and the Asphalt Procurement Contract and the Tripartite Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 24 May 2021.

DIRECTORS' REPORT

Entering into the Construction Contracts Regarding the Safe and Intelligent Expressway Projects

On 24 December 2021, Operation Company (as the principal), Information Port Company (as the contractor) and Chengpeng Expressway Company, the Company, Chengwenqiong Expressway Company and Chengdu Airport Expressway Company (as project owners) entered into the Construction Contract Regarding the Safe and Intelligent Expressway Project on Chengpeng Expressway, Construction Contract Regarding the Safe and Intelligent Expressway Project on Chengguan Expressway, Construction Contract Regarding the Safe and Intelligent Expressway Project on Chengwenqiong Expressway and Construction Contract Regarding the Safe and Intelligent Expressway Project on Chengdu Airport Expressway, pursuant to which, as entrusted by the owners, Operation Company engages Information Port Company to be responsible for the construction of each project under the construction contracts. The contract prices are tentatively determined to be RMB2,137,904.86, RMB1,488,462.88, RMB3,000,304.45 and RMB1,265,031.95, respectively with estimated maximum amount of RMB7.9 million and the final settlement amount is subject to the second review by the principal. Construction subject includes: for the purpose of the Construction Contract Regarding the Safe and Intelligent Expressway Project on Chengwenqiong Expressway, to renovate and upgrade the machine room and monitoring hall of the Chengwenqiong Expressway Branch Center, establish the database, develop application softwares to realize certain application functions, and enrich the function of the Chengwenqiong Expressway Branch Center to achieve access to and management of images and data from Chengguan Expressway, Chengdu Airport Expressway, Chengwenqiong Expressway, Chengpeng Expressway, Qiongmeng Expressway and other city expressways; while for the purpose of other contracts, to extract the existing information pooled by the intelligent traffic control system project at the Chengpeng Expressway Branch Center, Chengguan Expressway Branch Center and Chengdu Airport Expressway Branch Center, establish the database, develop application software to realize certain application functions, integrate data and images from the intelligent traffic control system project and upload the same onto the platforms at the Chengwenqiong Expressway Branch Center and the Sichuan Provincial Center.

Information Port Company is a wholly-owned subsidiary of Chengdu Communications Investment, a controlling Shareholder of the Company, and hence is a connected person of the Company. The Construction Contracts Regarding the Safe and Intelligent Expressway Projects and the transactions contemplated thereunder therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 24 December 2021.

Acquisition of 16% Equity Interests of Chengdu Teld

On 30 December 2021, Energy Development Company and Shancheng Industrial entered into the Equity Transfer Agreement, pursuant to which, Energy Development Company agreed to acquire and Shancheng Industrial agreed to sell the 16% equity interests in Chengdu Teld, at a consideration of RMB60,902,400, which shall be fully settled in cash by Energy Development Company. Shancheng Industrial is a wholly-owned subsidiary of Chengdu Communications Investment, a controlling shareholder of the Company, and hence is a connected person of the Company. The Acquisition therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 30 December 2021.

Summary of the material related party transactions during the Reporting Period are disclosed in note X to the financial statements. Save as disclosed above and in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with, other related party transactions disclosed in note X to the financial statements do not constitute discloseable connected transactions under the Listing Rules.

DIRECTORS' REPORT

Alignment in Preparation of Financial Statements in Accordance with the China Accounting Standards for Business Enterprises and Cessation of Re-appointment of International Auditor

To improve auditing efficiency, save auditing fees and reduce discrepancies in information disclosure, the Board resolved on 25 March 2021 to propose alignment in preparation of financial statements in accordance with China Accounting Standards for Business Enterprises commencing from 2021. The Board also resolved on the same date to propose to cease re-appointment of Ernst & Young as the international auditor of the Company and appoint Ernst & Young Hua Ming LLP as the auditor of the Company for 2021.

The above resolutions have been proposed and approved at the annual general meeting of the Company held on 10 June 2021. The financial statements and annual results of the Company for the year ended 31 December 2021 are prepared pursuant to the China Accounting Standards for Business Enterprises. The Company is of the opinion that alignment in preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises will not have a material impact on the financial position, operating results and cash flows of the Company in 2021 and future periods. For details, please refer to the announcement of the Company dated 25 March 2021 and the notice of annual general meeting dated 21 April 2021.

Proposed Initial Public Offering of A Shares

In order to promote the high-quality development of the Company and optimise its capital structure, the Board resolved to commence relevant work regarding the proposed initial public offering of ordinary Shares denominated in Renminbi. As of the Reporting Date, the Company has not formulated the specific plan for the Proposed Offering of A Shares, and has not applied to any relevant regulatory authorities of the PRC for approval of the Proposed Offering of A Shares. For details, please refer to the announcement of the Company dated 15 October 2021.

Subscription for Structured Deposits

During the Reporting Period, the Company subscribed for the low risk structured deposits of RMB380 million offered by Chengdu No.1 Sub-branch of China Construction Bank Corporation (中國建設銀行股份有限公司) on 5 January 2021 and 2 July 2021, respectively, which have expired on 22 June 2021 and 24 December 2021. For details, please refer to the announcements of the Company dated 5 January 2021 and 2 July 2021.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Company regards environmental protection as an important corporate responsibility and places great emphasis on implementing environmental protection measures in our daily operations. The Company has established a safety and environmental protection supervision team comprising general manager as the team leader, other senior management as the deputy team leaders and the heads of various departments as members, and formulated the Administrative Measures for Urban and Rural Environmental Comprehensive Management to regulate the appearance, order, environmental sanitation and greening ecology at full line of the expressways, office areas and service areas, as well as the Work Plan of Environmental Pollution Prevention and Green Development of Managed Expressways in 2021 to further strengthen the ecological environment protection on the managed expressways, and realise the normalization and regularisation of the environmental pollution prevention and control work. While the Company's main business is not in a highly polluting or hazardous industry, the traffic on the Company's expressways may produce exhaust gas, dust and noise pollution, and the Group's road maintenance, expansion or construction work may affect the surrounding vegetation, soil and water. Therefore, the Company has strictly controlled dust, noise and sewage discharge, and required measures such as closure, dust reduction and noise reduction be taken at the road construction site.

DIRECTORS' REPORT

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is subject to a number of laws and regulations, which mainly include the Company Law of the PRC, the Civil Code of the PRC, the Labour Law of the PRC, the Highway Law of the PRC, the Safety Production Law of the PRC, the Road Traffic Safety Law of the PRC, the Environmental Protection Law of the PRC, the Special Equipment Safety Law of the PRC, the Law on Prevention and Control of Environmental Pollution by Solid Waste of the PRC, Regulations on Safety Management of Dangerous Chemicals, Regulation on the Administration of Toll Roads, the Regulation on Highway Safety Protection, Code for Design and Construction of Automobile Petrol and Gas Stations and Sichuan Expressway Regulations.

Through internal control, compliance management, business approval procedures and employee training, the Company ensures compliance with applicable laws, regulations and regulatory documents, especially those that have significant impact on our main business; the Company will notify relevant employees and operating teams from time to time of any changes in applicable laws, regulations and regulatory documents applicable to our main business.

During the Reporting Period, to the best knowledge of the Directors, save as disclosed under the section headed "Progress of Land Use Rights" of this Directors' Report, the Company did not have any non-compliance with applicable laws and regulations that are significant to the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Company is of the view that its employees, customers and business partners are important to its sustainable development. The Company is committed to maintaining close relationship with its employees, providing quality services to customers and strengthening the cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity of the staff, offers competitive remuneration and benefits and career development opportunities based on their merits and performance. The Company also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.

The Group understands that customer satisfaction is critical to the Group's development. With respect to expressways, the Group created a sound driving experience for our customers by providing quality toll collection services, a safe driving environment, and beautiful highway scenery. At the same time, the monitoring centre and the road administration brigade of the Group can rush to the scene when receiving or discovering customer demand for assistance. With respect to energy business, the Group thoughtfully understands customer needs and constantly enhances customer loyalty through offering standard oil and gas products and quality refueling services. To improve customer service level, the Group has established a customer complaint mechanism to deal with complaints promptly.

The Group is also dedicated to develop good relationship with suppliers and contractors to ensure the smooth and healthy development of the Group's business. The Group reinforces business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner to ensure quality and timely delivery.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company during the Reporting Period or subsisted as at the end of the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Article of Association and the laws of PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

FIXED ASSETS

Details of changes in fixed assets of the Group during the Reporting Period are set out in note VI.10 to the financial statements of this annual report.

INTANGIBLE ASSETS

Details of changes in intangible assets of the Group during the Reporting Period are set out in note VI.13 to the financial statements of this annual report.

EMPLOYEE AND REMUNERATION POLICIES

As of the end of the Reporting Period, the Group had an aggregate of 2,177 employees (31 December 2020: 1,780), including 1,862 front-line staff, accounting for 85.6% of the total; 238 general management personnel, including staff in finance, human resources and other departments, accounting for 10.9% of the total; and 77 middle-level department managers and above, accounting for 3.5% of the total.

The remuneration and benefit policies of the Group were implemented pursuant to the statutory requirements and the Management Measures for Benefits (《福利管理办法》) of the Group. Staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined in accordance with the comprehensive appraisal results of the staff members based on the principle of "salary is determined based on position, and salary varies with position", which indicates strategies, market and performance orientation and internal and external impartiality.

Pursuant to statutory requirements, the Group has participated in the employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as basic medical insurance, work injury insurance, unemployment insurance and maternity insurance for its employees.

DIRECTORS' REPORT

The Company's executive Directors, senior management and the employee representative Supervisors received management remuneration based on their specific management positions in the Company. Remuneration of the senior management includes fixed salary and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and will be reviewed by the Remuneration and Evaluation Committee.

The Board determines the Company's annual operating performance targets each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the senior management of the Company. During the Reporting Period, the Company made allocation and assessment on eight key performance targets, namely operation results, specific tasks, reform and consolidation, operation and management, negative list, integrity, party construction and work appraisal.

Based on the operating performance targets approved by the Board, the Company will determine the annual tasks and targets for subsidiaries of all ranks, segregate and delegate the Company's objectives to the relevant enterprises and staff. Meanwhile, each subsidiary is required to sign accountability statements on operation results with the general manager of the Company. At the end of 2021, the Board and the general manager determined the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the senior management members accordingly. The remuneration of all senior management members is subject to review by the Remuneration and Evaluation Committee which need to be reported to the Board.

The Group values staff training and has established the Management Measures on Employee Training and a preliminary training system based on job competency. During the Reporting Period, the Company and its departments have organised various training sessions, which covered general management, operating management and professional skills, covering employees of all levels from front-line staff to senior management. The Group will also provide employees with comprehensive benefit plans and career development opportunities, including retirement plans, medical benefits and on-the-job training, IT training, safety training, toll calculation training and service etiquette training based on their needs.

During the Reporting Period, the relevant staff costs amounted to RMB341,601,223 (2020: RMB223,636,704). For details, please refer to note VI.21 to the financial statements of this annual report.

DIRECTORS' REPORT

PROGRESS OF LAND USE RIGHTS

The Group had not obtained the land use right certificates for part of the land with a site area of approximately 166,593 square metres used for the expansion project of our Chengpeng Expressway (the "Land"). The Land accounts for approximately 18.4% of the land used for this expansion project. The Land consists of (i) the one additional lane which was added next to each of the exterior lane of the pre-expansion Chengpeng Expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway; and (ii) the two additional lanes which were added next to each of the exterior lanes of the pre-expansion Chengpeng Expressway for the road section between Chengdu No. 2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway.

The Group has applied for the relevant approval and certificate and has obtained confirmation letters from Chengdu Municipal Land and Resources Bureau on 29 May 2018 and 9 October 2018, which confirmed that (i) the intended use of Land is in compliance with the regional planning, (ii) the application has been approved, (iii) there is no substantive impediment for the Company to complete the application, (iv) no administrative penalty had ever been issued against Chengpeng Expressway Company with respect to land use rights, and (v) they will grant the land use rights certificate when the administrative procedures have been completed. The Group has also obtained a confirmation letter from Sichuan Provincial Land and Resources Department on 5 June 2018, which confirmed that (i) the expansion project of Chengpeng Expressway is a key project for both Chengdu and Sichuan Province, critical to the wellbeing of local residents, and is in line with the overall land utilisation plan; and (ii) there is no substantive impediment for the Group to complete the application for land use rights.

The Group received the land expropriation approval for construction (Chuanfutu [2019] No. 177) issued by the People's Government of Sichuan Province on 7 May 2019, which confirmed that the Land involved in the project was provided by the local people's government in accordance with laws and relevant regulations and will be used as the construction land for the expansion and renovation project of Chengpeng Expressway.

At the request of Chengdu Planning and Natural Resources Bureau (being the government organ reformed and consolidated from, among others, Chengdu Municipal Land and Resources Bureau and Chengdu Municipal Planning Bureau), Chengpeng Expressway Company submitted relevant materials required for obtaining the ownership certificate, which are under review for the time being. Before obtaining the real estate ownership certificate, the normal operation of Chengpeng Expressway will not be adversely affected.

DIRECTORS' REPORT

MAJOR RISKS AND UNCERTAINTIES

The risks faced by the Group primarily include policy risks, market risks and financial risks and others. The Company attaches great importance to the above risks, takes the initiative to identify, evaluate and respond to the risks arising during the course of business, and will gradually establish and improve the systematic risk management mechanism.

Policy risks and the corresponding measures

Renew or extend the duration of right to operate expressway

The remaining operating period of the Group's expressways ranges from 2 years to 16 years. While the Group strives to renew or extend the operating periods of its expressways, it cannot assure that the Group will be able to obtain the necessary approval from relevant government authorities. Failure to extend the duration of our right to operate the expressways may materially and adversely affect the Group's business, results of operations and financial condition. Any adverse change to such arrangements with local governments could have a material adverse effect on the Group's financial position, results of operations and prospects.

Tolling policy

Toll rates charged by toll roads in China are set by various provincial or local government authorities. Any proposed toll rate increase requires approval by the relevant government authorities, taking into account various factors such as traffic flow, construction and operational costs of the expressways, prospective recovery periods of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to users. As an operator of expressways, the Company may from time to time apply to the relevant governmental authorities for change in toll rate. However, the Company cannot assure that the governmental authorities will approve such application in a timely manner, or at all. Further, the Company cannot assure that the governmental authorities will not at any time request a toll rate reduction or exemption. If government authorities fail to approve in a timely manner or do not approve the request of the Company to raise toll rates, or require a reduction or waiver in toll payment, the business and operating results of the Company may be materially and adversely affected.

Pursuant to the Sichuan Province Management Regulation on Linking Expressway Toll Rates with Quality of Construction and Services (《四川省高速公路車輛通行費收費標準與工程和服务質量掛鉤管理辦法》) jointly promulgated by the Department of Transportation of Sichuan Province, Sichuan Provincial Development and Reform Commission and Finance Department of Sichuan Province, effective from 1 April 2016, toll rates of expressways located in Sichuan Province will be subject to annual adjustments based on an evaluation of an expressway's construction and services quality. For expressways that are currently in operation, if the service quality score of the expressway falls below 85 points or if major accidents have occurred on the expressway due to improper expressway management, the toll rates of such expressway will be lowered by 5% in the following year. The Company cannot assure that its toll rates will not be lowered in the future, which may have a material adverse effect on the revenue and results of operations of the Company.

DIRECTORS' REPORT

The Classification by Vehicle Types on Toll Roads (JT/T489-2019) issued by the MOT and implemented on 1 January 2020, stipulates that passenger vehicle and freight vehicle are charged according to the classification of vehicle types. Although vehicle classification standards have been adjusted by the competent authorities from time to time and such adjustments have not affected the Group's toll income significantly, there can be no assurance that any future guidelines, notices or changes of the government policies relating to transportation and logistics will not adversely affect the business, results of operations, financial conditions and prospects of the Group. In addition, certain vehicles are exempted from toll payment pursuant to the Regulations on the Administration of Toll Roads (《收費公路管理條例》), the Notice of the State Council on the Approval and Forwarding of the Implementation of the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays Promulgated by the Ministry of Transport and Other Departments (《國務院關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知》) (the "Holiday Toll-Free Policy") and the Notice on Further Improving Policies for Green Passage of Live Agricultural Products (Jiao Gong Lu Fa [2019] No. 99) (《關於進一步優化鮮活農產品運輸"綠色通道"政策的通知》). There can be no assurance that the relevant government authorities will not implement toll discount or toll-free policies and any other policies in relation to tolls or toll rates in the future, which may adversely affect the Group's business, results of operations, financial conditions and prospects. Pursuant to the Circular on Implementation Plan for Comprehensively Promoting Differentiated Expressway Toll Collection (《全面推廣高速公路差異化收費實施方案》) (Jiao Gong Lu Han [2021] No. 228) jointly promulgated by the MOT, the National Development and Reform Commission and the Ministry of Finance, differentiated toll collection is required to be implemented on expressways nationwide, which may have a negative impact on the business, performance, financial condition and prospects of the Group.

Corresponding measures

For policy risks, the Group will adopt the following counter-measures: (i) promoting the continuous growth of the Group's asset scale and operating results through investment in and construction of expressways with sound development prospects; and (ii) mitigating impact from failure of the Group to renew or extend the service concession periods of expressways of the Group through expanding into expressway-related services or investment projects, including expressway entrusted operation and management services and introducing petrol and gas station operation business, new energy charging piles and service areas with petrol stations. The Group will continue to keep a close eye on relevant potential investment projects, in a bid to further mitigate the impact from possible failure to renew or extend the service concession periods of expressways.

Market risks and corresponding measures

Impact of decline in traffic volume

Revenue from expressways of the Group primarily depends on the number of vehicles on its expressways. Traffic volume is directly and indirectly affected by a number of factors, including: toll rates, fuel prices, vehicle prices and the cost of owning and operating vehicles, mix between different vehicle classes using the expressways of the Group, capacity constraints on the number of vehicles and the mix of different vehicle classes that can efficiently use its expressways in any given period, occurrence of natural disasters, accidents, road closures or restricted access caused by upgrade, expansion and repair projects undertaken, and changes in laws, regulations and policies, etc.

The traffic volume on a given toll road is also influenced by the extent of its connectivity with other local and national route networks. Future changes in the route system and network in Sichuan Province may adversely affect the traffic volume on the expressways of the Group. Any decline in traffic volume may adversely affect the Group's revenue and earnings.

DIRECTORS' REPORT

Impact of competing roads and alternative forms of transportation

The Group's results of operations may be affected by competition from the following sources: including (i) existing competing roads and bridges of a comparable quality, the expanding high speed train network and the planning and development of subways and inter-city light rail systems; and (ii) new competing expressways which may or may not have lower toll rates.

Alternative forms of transportation may provide travellers with more comfortable and convenient transportation services. The Company cannot assure that it will be able to maintain or improve the road conditions of its expressways in order to compete with existing and new forms of transportation. In the event there are changes to passenger and transportation patterns, resulting in a decrease in the overall traffic volumes on the expressways of the Group, the Group's business, financial position and results of operations could be affected.

Highways in the Chengdu metropolitan area that currently compete with the expressways of the Company include Chengqing Freeway (成青快速通道), Chengmian Expressway (成綿高速公路), Chengya Expressway (成雅高速公路), Chengwenqiong Highway (成溫邛快速通道), Chengqingjin Freeway (成青金快速通道) and Chengdu Economic Zone Ring (3rd) Expressway (成都經濟區環線 (三繞)高速). In addition, official operation of the Chengdu Tianfu International Airport attracts significant amount of flights from Chengdu Shuangliu International Airport, which has a material impact on the traffic flow of Chengdu Airport Expressway. Therefore, the Company cannot assure that the traffic volumes of the expressways operated by the Group will maintain the same level or increase in the future, nor can the Group assure that the revenue and profit of the Group will not be adversely affected.

Corresponding measures

For market risks, the Company will strengthen the communications with the government and the peers, to timely understand road network planning, project construction progress and subsequent planning adjustment, and carry out network research and analysis in advance, so as to accurately keep on track of the traffic trends to ensure accuracy of operation and development strategic decisions of the Company.

Impact of the selling prices of the energy segment

The Group is also engaged in operation of refined oil through Energy Development Company. The maximum retail price of refined oil shall be subject to the Measures for the Administration of Petroleum Prices (《石油價格管理辦法》) issued by National Development and Reform Commission in 2016, that is, domestic retail price of refined oil will be upgraded or downgraded within a certain range based on the changes in global oil prices. Therefore, the Group cannot guarantee an increase or decrease in the retail price of refined oil in future or the positive or negative impact thereof on the Group's revenue and profit.

Corresponding measures

To cope with the price risk of the energy segment, the Group will strengthen communication and coordination with suppliers and strive to purchase refined oil at the most favourable price leveraging the Refined Oil Framework Agreement and bulk procurement, so as to reduce the purchase cost of refined oil and improve profitability of the energy segment.

DIRECTORS' REPORT

Impact of the COVID-19 pandemic

The COVID-19 pandemic had a negative impact on the national economic development. At present, although COVID-19 prevention and control has been normalized, the pandemic has been spreading globally, and imported and sporadic cases sprouted from time to time, which has a potential uncertain impact on the Company's production and business operation.

Corresponding measures

The Company will pay close attention to the development of the COVID-19 pandemic, as well as the relevant control policies in Sichuan and Chengdu, make well-grounded pre-judgements, and formulate countermeasures to attract vehicles and facilitate petrol station operation, so as to promote the normal operation of various businesses and improve business performance.

Financial risks and corresponding measures

For the Company's financial risks and uncertainties, please refer to notes III.26 and VIII.2 to the financial statements in this annual report.

SUBSEQUENT EVENTS

Subscription for Structured Deposits

The Company subscribed for three structured deposits on 5 January and 14 March 2022, all of which are principal-guaranteed with floating return and the Company shall not redeem the principal and income in advance during the duration. In particular, (i) on 5 January 2022, the Company subscribed for the low risk structured deposit offered by Chengdu No.1 Sub-branch of China Construction Bank Corporation (中國建設銀行股份有限公司) for RMB280 million with a term from 7 January 2022 to 24 June 2022 and an expected annualised rate of return of 1.6% to 3.4%; (ii) the Company subscribed for 2 low risk structured deposits offered by Chengdu Binjiang Sub-branch of Industrial and Commercial Bank of China Limited, of which one was subscribed for on 5 January 2022 for RMB120 million with a term from 7 January 2022 to 24 June 2022 and an expected annualised rate of return of 1.3% to 3.4% and the other was subscribed for on 14 March 2022 for RMB60 million with a term from 17 March 2022 to 23 June 2022 and an expected annualised rate of return of 1.3% to 3.29%. For further details regarding the subscription of structured deposits, please refer to the announcements of the Company dated 5 January 2022 and 14 March 2022.

Change of Employee Representative Supervisor

On 3 March 2022, Mr. Zhang Jian, a Supervisor of the Company tendered his resignation to the Supervisory Committee due to work rearrangement, to resign from the position as an employee representative Supervisor (the "Resignation"). The Resignation took effect from 3 March 2022. At the employee congress held by the Company on the same date, Mr. Chen Yong was elected as an employee representative Supervisor of the second session of the Supervisory Committee commencing from 3 March 2022 with a term which is the same as that of employee representative Supervisors of the second session of the Supervisory Committee, and is eligible for re-election upon expiration of his term. For further details on change of employee representative Supervisor, please refer to the announcement of the Company dated 3 March 2022.

DIRECTORS' REPORT

CHARITABLE UNDERTAKINGS

During the Reporting Period, the Group donated a total of RMB70,540 to charitable undertakings.

INDEPENDENT AUDITOR

As the Company aligned in preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises commencing from 2021, resolutions have been passed at the 2020 annual general meeting of the Company held on 10 June 2021 to cease to reappoint Ernst & Young, who had served as the international auditor of the Company upon listing of the Company in 2019 to provide international auditing services pursuant to the International Financial Reporting Standards, and appoint Ernst & Young Hua Ming LLP as the auditor of the Company for 2021, who assumed the responsibilities of international auditor under the Listing Rules. The financial statements of the Company for 2021 prepared in accordance with the China Accounting Standards for Business Enterprises have been audited by Ernst & Young Hua Ming LLP, who has issued an audit report with unqualified opinions.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an Audit and Risk Management Committee in accordance with the requirements of the Corporate Governance Code to review and oversee the financial reporting, risk management and internal control of the Group. The Audit and Risk Management Committee of the Company has discussed with the management and reviewed the audited financial statements of the Group for the year ended 31 December 2021.

The other sections, reports or notes to this report mentioned above form part of this Directors' Report.

By order of the Board

Chengdu Expressway Co., Ltd.

Xiao Jun

Chairman

Chengdu, the PRC, 24 March 2022

REPORT OF THE SUPERVISORY COMMITTEE

In 2021, the supervisory committee of the Company (the “Supervisory Committee”) conducted in-depth study on and implemented the thought of socialism with Chinese characteristics in the new era proposed by President Xi Jinping and the spirit of the Sixth Plenary Session of the 19th CPC Central Committee, acted in line with relevant laws and regulations, including the Company Law, the Listing Rules of the Hong Kong Stock Exchange and the requirements for supervision of state-owned assets, and remained committed to the working approach of exercising diligence and conscientiousness to effectively fulfill its supervision function on the periodic reports, standardised operation, information disclosure, internal control, significant events of the Company and performance of duties by the Directors and senior management members, thereby earnestly safeguarding the legitimate interests of the Company and the Shareholders. The work done by the Supervisory Committee in 2021 is hereby presented as follows:

I. MEETINGS OF THE SUPERVISORY COMMITTEE

During the Reporting Period, two meetings of the Supervisory Committee were convened pursuant to the Articles of Association and the Rules of Procedures of the Supervisory Committee, at which a total of seven major resolutions were considered, including those regarding the 2020 annual report, 2020 annual results announcement, 2020 final financial report, profit distribution plan, internal control self-assessment report, report on update of the list of connected persons, interim results announcement and interim report of the Company.

The noticing, convening, holding and voting procedures of the meetings complied with laws and regulations, and the resolutions approved thereat were truthful, valid and complete and unanimously adopted.

II. WORK SUMMARY OF THE SUPERVISORY COMMITTEE IN 2021

(I) Securing Desirable Business Performance Leveraging Strict Supervision

The Supervisory Committee is an integral component within the corporate governance structure of the Company with the supervision function. During the Reporting Period, thanks to the supervision and instruction provided by the Supervisory Committee, the Company stayed committed to the keynote of making progress amid stability, enhancing operation and reinforcing management. Despite the negative factors such as impact of the COVID-19 pandemic and diversion of flights from Chengdu Shuangliu International Airport, the Group still managed to achieve total revenue of RMB2.702 billion, representing a year-on-year increase of 32.6% from 2020, and total profit of RMB826 million against the headwinds, which surpassed our predetermined targets and indicated a remarkable improvement in operating performance.

REPORT OF THE SUPERVISORY COMMITTEE

(II) Proactively Discharging Duties to Improve Supervision and Management Standards

During the Reporting Period, members of the Supervisory Committee took participation in 19 Board meetings and attended one general meeting, at which they provided opinions and suggestions on 70 resolutions of the Board and 8 resolutions of the general meeting regarding remunerations of the senior management members, major construction projects, material acquisitions, connected transactions, appointment and removal of executives, amendments to major policies of the Company, finance management, acquisition and disposal of fixed assets and initiation of the Proposed Offering of A Shares by the Company. Through participating in multiple meetings, the Supervisory Committee gained a thorough and comprehensive understanding of the background and procedures of the decision-making process of major issues and events of the Company, which facilitated it to conduct supervision in a timely manner.

(III) Maintaining a Focus on Finance to Guarantee the Compliance Operation of Capital

During the Reporting Period, the Supervisory Committee carried out strict inspection into the annual results announcement, annual report, interim results announcement, interim report and other finance management issues, and reviewed the fund-raising activities, profit distribution and dividend payout, as well as provision of borrowings to subsidiaries. The Supervisory Committee raised suggestions on the capital management, financial condition, operating performance and finance management of the Company, thereby effectively boosting the capital management efficiency, finance management and disclosure standards in the annual report, and guaranteeing the normalised and regulated finance management of the Company. During the Reporting Period, the Company achieved interest income of over RMB39 million, saved interest expense of approximately RMB6.5 million through early repayment of undue loans, bargaining for reduction in interest rate of loans and swap of bank debts, and successfully completed the registration of mid-term notes in an amount of RMB2 billion and ultra-short-term financial bonds in an amount of RMB1 billion, thus pooling capital for the investment projects of the Company.

(IV) Focusing on Business Activities to Foster an Operating Model with Supervision

During the Reporting Period, the Company comprehensively embarked on the entrusted operation and management for Tianfu Airport Expressway and Pudu Expressway. The Supervisory Committee exercised its supervision functions in strict compliance with the decision-making process and relevant management requirements of the Company, and put forward opinions and suggestions regarding the major issues such as establishment of expressway operation and management centres and list of authorisations, so as to guarantee the compliance operation of the entrusted management projects of the Company. During the Reporting Period, the Company achieved total income of RMB67.10 million from entrusted operation and management, making profit even in the first year of operation.

REPORT OF THE SUPERVISORY COMMITTEE

(V) Stepping up Internal Control to Strengthen Awareness of Compliance Management

The Supervisory Committee constantly supervised the risk management and internal control system of the Company, and urged the Company to rectify issues identified in the internal control and risk management assessment, so as to ensure that the Company complies with the requirements of the Listing Rules of the Hong Kong Stock Exchange and guarantee the effectiveness of the risk management and internal control system of the Group. During the Reporting Period, the Supervisory Committee considered the internal control assessment report and comprehensive risk management report of the Company, received the report on update of the list of connected persons of the Company, participated in the consideration of the resolution on amendments to the management policies submitted to the Board for consideration, provided instructions on rectification of internal control defects, and raised improvements on the management policies of the Company, which further expedited the optimisation of the management system of the Company.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT TASKS OF THE COMPANY

(I) Compliance Operation of the Company

After supervision over the duty performance of the Directors and management members of the Company, the Supervisory Committee considered that the Board was able to fulfill scientific decision-making process in accordance with resolutions of the general meetings, raised proper requirements and provided instructions to the management in carrying out effective operation in line with relevant laws, regulations and authorisation of the Board and desirably completed the operation and management tasks. During the Reporting Period, the Supervisory Committee did not identify any behavior of Directors and management members in discharging their duties and exercising powers which violated laws and regulations and prejudiced the interests of the Company and the Shareholders.

(II) Financial Condition of the Company

Upon earnest inspection and supervision of the financial condition and finance management of the Company, the Supervisory Committee considered that the Group had implemented relevant national accounting standards and financial systems, its finance management complied with laws and regulations and the financial condition remained sound and healthy without illegal appropriation of the assets or loss of capital of the Company. The Company engaged Ernst & Young Hua Ming LLP to audit the consolidated financial statements of the Company for 2021 and issue report thereon, which, in the opinion of the Supervisory Committee, gave an objective, true and complete view of the Company's operating results and financial condition.

REPORT OF THE SUPERVISORY COMMITTEE

(III) Review Opinions on the Annual Report of the Company for 2021 and its Abstract

Upon review of the 2021 annual report of the Company and its abstract, the Supervisory Committee considered that the 2021 annual report conformed to the requirements of laws and regulations and gave a true, accurate and complete view of the actual condition of the Company from all aspects without any misrepresentation, misleading statement or material omission.

(IV) Opinions on the Internal Control Self-assessment Report

During the Reporting Period, upon earnest review of the internal control self-assessment report of the Company for 2021 and inspection over the construction and operation of the internal control system, the Supervisory Committee did not find any material deficiency. The Supervisory Committee considered that the Company had established a sound internal control system, which complied with state laws and regulations, and normative requirements of regulatory authorities, and satisfyingly prevented and controlled risks in each process of the Company's operation and management.

(V) Opinions on the Comprehensive Risk Management Assessment Report

During the Reporting Period, upon earnest review of the Company's comprehensive risk management assessment report for 2021 and supervision over the risk management mechanism and process, the Supervisory Committee did not identify material risks. The Supervisory Committee considered that the Company has established a sound and effective comprehensive risk management system, which efficiently controlled the comprehensive risks of the Company.

IV. FUTURE WORK PLANS

In 2022, the Company is steadily marching towards the strategic goal of becoming a quality listed enterprise with excellent results and sustainability. The Supervisory Committee will improve its work in the future based on external regulatory environment and development of the Company:

(I) Staying Tuned to Corporate Development and Enhancing Supervision Quality and Effectiveness

The Supervisory Committee will focus on the "14th Five-year" strategic planning and progress of the Proposed Initial Offering of A Shares, and concentrate on the current development stage and future growth direction of the Company, so as to properly exercise its supervision function, pay attention to the compliance operation and management as well as its risk control, and ensure the diversified development of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

(II) Exercising its Unique Supervision Function and Constantly Exploring Scientific Supervision Approaches

The Supervisory Committee will continue to innovate supervision approaches with a focus on its duties, and raise opinions and suggestions on issues in the management and operation, internal control and risk management of the Company in a timely manner. It will avoid repeated inspection and unauthorised acts in work to ensure scientific, independent and efficient supervision.

(III) Safeguarding Shareholders' Interests and Improving its Competency

The Supervisory Committee will conduct meticulous study on state laws, regulations and rules based on actual work requirements to be timely informed of and grasp prevailing economic condition, new national policies and measures, and constantly improve theoretical knowledge to enhance duty performance competency, thereby efficiently discharging its supervision function and safeguarding the legitimate interests of the Company and the Shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

The Group is pleased to release our fourth Environmental, Social and Governance (“ESG”) Report, which has been prepared to explain how the Group implemented its sustainability concept and fulfilled its social responsibilities.

Basis of Preparation

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix 27 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This report has complied with the “comply or explain” provision and the “materiality”, “quantitative”, “balance” and “consistency” reporting principles as contained in the Guide.

| | |
|--------------|--|
| Materiality | We have disclosed the process to identify and the criteria for the selection of material ESG issues, and description of key stakeholders identified, and the process and results of the stakeholder engagement. |
| Quantitative | Information on the standards, methodologies, assumptions and/or calculation tools, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) have been disclosed herein. |
| Balance | This report gives a fair view of the Group’s performance during the Reporting Period without the inappropriate use of selections, omissions or other forms of reporting that would influence a decision or judgment by the reader. |
| Consistency | Data disclosed herein are collected on the same basis with last year. We have disclosed herein any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison. |

Reporting Scope

This report contains the overall performance of the Group regarding sustainable development during the period from 1 January 2021 to 31 December 2021 (the “Year” or “Reporting Period”). Unless otherwise specified, data on environmental and social aspects as disclosed in this report cover businesses under direct control of the Group. For detailed information on the corporate governance of the Group, please refer to the section headed “Corporate Governance Report” in the annual report or the official website of the Group at <http://www.chengdugs.com/>.

Reporting Language

This report is prepared in both traditional Chinese and English. In case of any inconsistencies, the former shall prevail.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Approval for the Report

This report has been approved for release by the board of directors of the Group (the “Board”) on 24 March 2022.

Feedback to the Report

If you have any enquiry or suggestion as to this report or the sustainable development policies of the Group, please contact us via e-mail (cggfdb@chengdugs.com). We welcome your suggestions.

2. SUSTAINABLE DEVELOPMENT STRATEGY

The Group has established a business scope spanning from operation, management and development of expressways in and around Chengdu, Sichuan Province, the PRC, to retail of refined oil and operation of natural gas. We recognize and approve sustainable development business strategies and therefore take environmental, social and governance considerations into account while pursuing growth and expansion, in a bid to fulfill our social responsibilities.

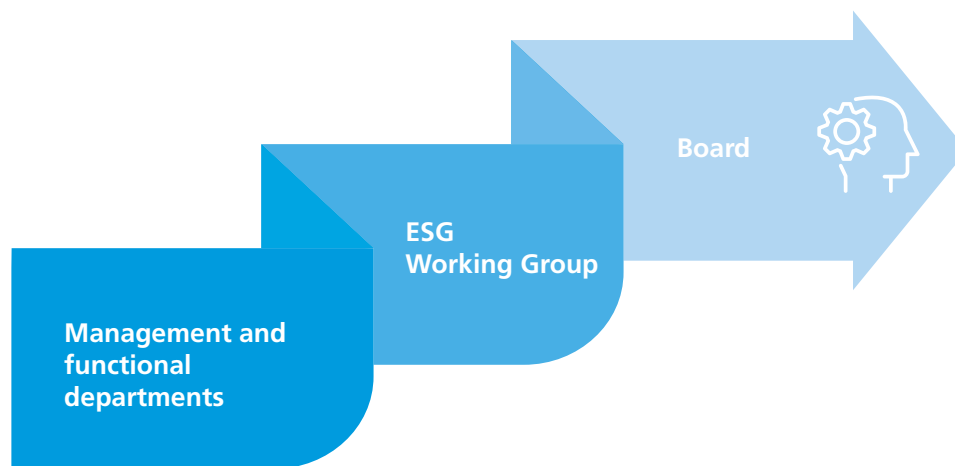
2.1 Board Statement

The Group earnestly carries out its ESG initiatives, and we have set up an ESG structure to strengthen our management over sustainable development. The Board is responsible for overseeing the Group’s sustainability issues in an overall manner, and regularly discusses, reviews and approves the ESG management principles, strategies and risk management planning of the Group. To enhance the efficiency of sustainable development management, the Board has authorized the Group to establish an ESG working group to facilitate the supervision and implementation of ESG-related issues. The Board is held fully accountable to the Group’s ESG strategies and reporting, and bears responsibility for the approval and confirmation of sustainable development policies and measures formulated by the ESG working group. We have developed guiding objectives in the environmental aspect, which will be reviewed in line with the progress of the Group’s ESG targets in future, so as to supervise and improve our ESG tasks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.2 ESG Structure

The Group's ESG structure comprises the Board, the ESG working group, management and each functional department. The Board at the top is held solely accountable to the ESG strategies and reporting, and is responsible for evaluating and determining ESG-related risks, with a view to ensuring the establishment of appropriate and effective risk management and internal control systems, and instructing the management to review the efficiency of relevant systems. The ESG working group is designated to manage ESG-related tasks and shall report to the Board on a regular basis. The management and each functional department at the bottom are responsible for practical implementation of ESG-related tasks.



ESG Structure

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The ESG working group consists of four Board members and one secretary to the Board. The group members shall be determined by the Board upon consideration and the group leader shall be nominated by the chairman of the Board and appointed by the Board. The term of the members shall be the same as that of the Board members and the secretary to the Board. Group members may offer themselves for re-election upon maturity of their terms. The responsibilities of the ESG working group include:

- to determine and approve the ESG management policies and strategies, including processes of evaluating, prioritising and managing material ESG-related matters (including business risks);
- to review and supervise ESG policies and practice, and search material ESG information;
- to analyse the correlation between ESG risks (including climate change risks) and the overall risk management system, and raise advice on risk control;
- to supervise implementation of ESG policies by each functional department, including quality of working environment, environmental protection, operation practice, community engagement and animal protection;
- to collect and analyse ESG-related key performance indicators on a regular basis and submit to the Board for consideration, so as to inform the Board of the progress towards fulfillment of ESG management performance objectives;
- to join in preparation of the annual ESG report, and submit to the management and Board for consideration and approval;
- to maintain operation of the corporate social responsibility management system, and enhance employees' awareness of corporate social responsibilities;
- to respond to suggestions on material ESG matters raised by shareholders and key stakeholders;
- to ensure that the Group acts in compliance with relevant laws and regulatory requirements, and monitor and address latest ESG issues; and
- to put forward advice to the Board as and when appropriate to enhance the Group's ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT







2.3 Stakeholder Communication

The Group is open to the opinions of different stakeholders on the ESG issues, and proactively communicates and exchanges views with them regarding relevant issues before formulating our sustainable development policies. During the Year, we extensively reached out to stakeholders in different fields through various communication channels, including but not limited to shareholders/investors, customers, employees, business partners, suppliers, regulatory bodies, media, community/non-governmental organisations.

| Stakeholders | Major issues of concern | Communication channel |
|--|---|--|
|  Shareholders/Investors | <ul style="list-style-type: none"> • Economic performance • Compliance operation • Information transparency • Effective communication | <ul style="list-style-type: none"> • Annual general meetings and other general meetings • Interim and annual reports • Corporate communications, such as meeting notices • Results announcements • Company website/information disclosure • Investors' conference • Shareholder visits • Investor relations mailbox to address investors' enquiries in a timely manner |
|  Customers | <ul style="list-style-type: none"> • Customer service • Complaint handling • Information security | <ul style="list-style-type: none"> • Daily operation/communication • Complaint hotline/telephone calls • E-mails |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

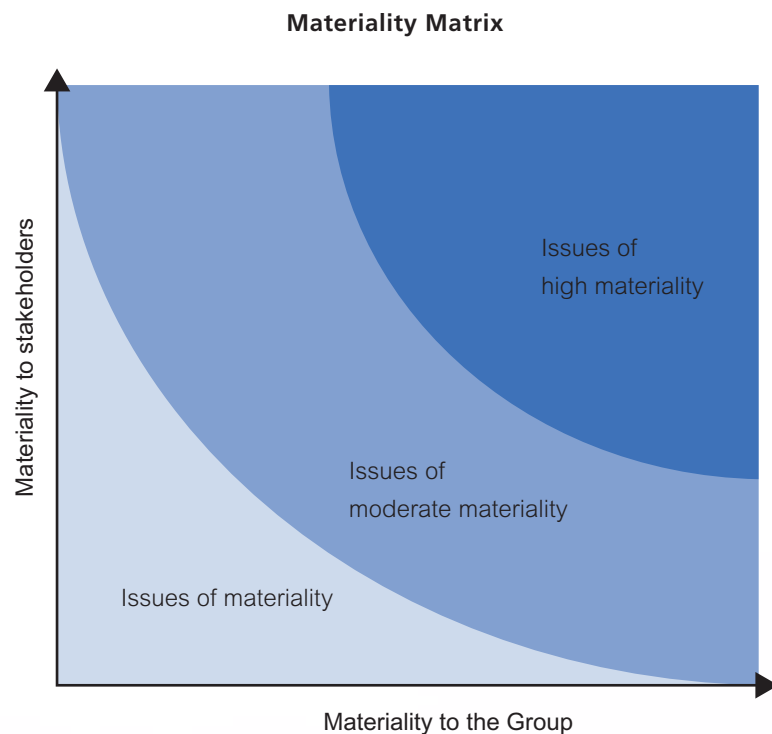
| Stakeholders | Major issues of concern | Communication channel |
|---|---|---|
|  Employees | <ul style="list-style-type: none"> • Salaries and benefits • Occupational safety and health • Training and development | <ul style="list-style-type: none"> • Work performance interviews/ appraisal • Panel discussions/face-to-face meetings • Employee congress • Channels for employees to express opinions (such as forms, suggestion boxes, intranet, etc.) • Seminars/workshops/lectures • Publications (such as employee communications)/ business briefs • Volunteer activities • Employee training |
|  Business partners | <ul style="list-style-type: none"> • Compliance operation • Common development • Harmonious co-existence | <ul style="list-style-type: none"> • Reports • Conferences • Visits • Lectures |
|  Suppliers | <ul style="list-style-type: none"> • Fair competition • Sustainable supply chain • Transparent procurement | <ul style="list-style-type: none"> • Supplier management procedures • Supplier/contractor evaluation system • Conferences • Site visits |
|  Regulators | <ul style="list-style-type: none"> • Compliance operation • Information transparency | <ul style="list-style-type: none"> • Regular inspection • Information disclosure • Compliance reports • Conferences |
|  Media | <ul style="list-style-type: none"> • Information transparency | <ul style="list-style-type: none"> • Press releases • Senior management visits • Results announcements |
|  Community/Non-governmental organisations | <ul style="list-style-type: none"> • Community welfare • Environmental protection | <ul style="list-style-type: none"> • Welfare activities, community service activities • Donations • Community investment plan |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.4 Materiality Assessment

To determine the key ESG issues implemented and disclosed by the Group and responded to the expectations of the stakeholders, during the Year, the Group conducted materiality assessment taking into account our operating performance and issues of concern of stakeholders, and with reference to the disclosure obligations under the Guide, the Materiality Map issued by the Sustainability Accounting Standards Board (SASB) and the best practice in the industry. After meticulous analysis, we ultimately identified 28 material issues, including 18 of high materiality, 3 of moderate materiality and 7 of materiality. Based on the materiality of such issues, we made disclosure to varied degrees in this report, which also act as important reference for us while formulating ESG strategies and policies.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Issues of high materiality | Issues of moderate materiality | Issues of materiality |
|--|---|--|
| Sustainable development management system Road quality Safe production Customer service quality Road traffic transportation efficiency Protection of customer privacy Response to customer complaints Anti-corruption Prevention of unfair competition Supply chain management Employee salary and benefits Occupational safety and health Employee training and development Talent management Prevention of child and forced labour Noise management Promotion of local employment Risk management of significant events | Water consumption and efficiency management Use of land Community charitable undertakings | Energy consumption and efficiency management Air pollutant emission management Waste management Resource utilization and recycling Greenhouse gas emission management Wastewater discharge management Protection of intellectual property rights |

3. STRICTLY STANDARDISED OPERATION

The Group remains committed to responsible operation and acts in strict compliance with laws and regulations promulgated by the state and regulatory authorities. Leveraging the establishment of sound internal control and risk management systems, we standardise our expressway business segment, so as to improve the quality and service standards of expressways, petrol stations and gas stations, as well as overall corporate governance, and promote the steady development of our businesses.

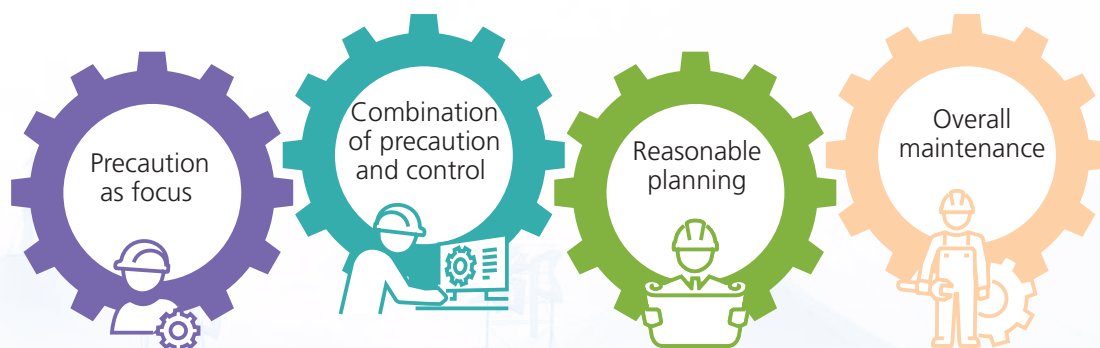
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.1 Road and Energy Safety Management

As an investor, constructor and operator of expressways, road safety is the Group's important business concern. We proactively introduce and apply new technologies, materials, processes and equipments in relation to expressway maintenance, striving to enhance the quality of road infrastructures, offer better services to users and ensure transportation safety on expressways. In addition, the safety of petrol stations and gas stations, another business segment of the Group, is also our priority. We are dedicated to improve safety supervision model, establish security information platform and enhance routine safety inspection at road stations, aiming to provide users with sound service experience.

During the Reporting Period, the Group carried out expressway maintenance and management in strict accordance with the laws and regulations such as the Civil Code of the PRC (《中華人民共和國民法典》), Highway Law of the PRC (《中華人民共和國公路法》), Production Safety Law of the PRC (《中華人民共和國安全生產法》), Road Traffic Safety Law of the PRC (《中華人民共和國道路交通安全法》), Toll Road Management Regulations of the PRC (《中華人民共和國收費公路管理條例》), Highway Safety Protection Regulations (《公路安全保護條例》), Sichuan Expressway Regulations (《四川省高速公路條例》), and the industry standards such as Highway Technical Condition Evaluation Standard (《公路技術狀況評定標準》), Highway Maintenance Technical Specification (《公路養護技術規範》), Highway Bridge and Culvert Maintenance Specification (《公路橋涵養護規範》), Highway Traffic Safety Facilities Design Specification (《公路交通安全設施設計規範》), Highway Traffic Safety Facilities Construction Technical Specification (《公路交通安全設施施工技術規範》), Highway Subgrade Construction Technical Specification (《公路路基施工技術規範》), Chengdu Civilised Construction Technical Standard (《成都市建設工程文明施工標準化技術標準》), Highway Engineering Quality Inspection and Evaluation Standard (《公路工程質量檢驗評定標準》), Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》), Regulations on Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》) and Code for Design and Construction of Automobile Petrol and Gas Stations (《汽車加油加氣站設計與施工規範》).

Road and Energy Safety Management Principle



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The Group formulated the Expressway Maintenance and Management Measures (《高速公路養護管理辦法》) and the Regulations on Safety Management of Highway Engineering Construction and Maintenance Operation (《公路工程建設、養護作業安全管理規定》), and conducted inspections in the principle of “precaution as focus, combination of precaution and control, reasonable planning and overall maintenance” to timely identify and address issues and extend the life cycle of expressways and infrastructures. Meanwhile, the Group standardised production safety practices of expressway engineering construction, maintenance and repair to preclude construction accidents. In addition, we formulated the Safety Inspection System (《安全檢查制度》), Management System for Investigation and Remediation of Potential Safety Hazards (《安全隱患排查整治管理制度》), Double Reporting System for Investigation and Management of Major Potential Hazards (《重大隱患排查治理“雙報告”制度》) and Management Measures for Information Reporting, Investigation and Handling of Emergencies and Safety Accidents (《突發事件、安全事故信息報告及調查處理管理辦法》) to inspect the formulation and implementation of safety rules and regulations by members of the Group, reinforce identification of potential safety hazards in petrol stations, gas stations, construction projects, accident-prone sites (sections) on expressways, overpasses, service areas, idle areas and other key areas, immediately report the safety hazards identified in inspection, and urge rectification by relevant members to reduce chance of accidents.

With respect to the energy segment, we also formulated a series of systems such as the Production Safety Target Management Measures (《安全生產目標管理辦法》), Production Safety Accountability System (《安全生產責任制度》), Production Safety Input Guarantee System (《安全生產投入保障制度》) and Safety Risk Classification Management System (《安全風險分級管控管理制度》) to standardise management of production safety targets, implement production safety accountability system for each department and post, strengthen production safety, and reduce work-related injuries and fatalities, occupational diseases, fire disasters and economic losses of Group members, in a move to provide a safer working environment and guarantee smooth business operations.

3.2 Premium Customer Service

The Group constantly improves its service quality with the aspiration of providing an appealing view and first-class, safe and convenient service experience for customers when they drive and refuel on our expressways. We have set up monitoring centres and road brigades to tackle emergencies and provide timely support to road users. Moreover, we also proactively promoted smart transportation construction through establishing electronic toll collection lanes at all expressway stations to enhance efficiency. Further, we provided customers with comprehensive on-line services, including on-line registration, application, administration, charging and offline approval, installation and activation, and thus realised cash-free toll payment to facilitate users.

Toll collectors working at the front line are required to receive trainings with respect to the service etiquette, complaint handling and on-post makeup in toll collection, in an endeavor to strengthen their appearance standards, instruct them to use amicable and courtesy expressions, serve with smile and provide satisfactory traffic guidance, striving to offer sound customer services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group also formulated the Measures for Handling Complaints (《投訴處理辦法》) to standardise complaint handling process, properly deal with complaints and oversee the Audit Department in accepting, categorising, handling or forwarding complaints lodged through the service hotline of the Operation Company. Customers may report offense or feedback through e-mails, telephone calls, surveys or visits to the complaint centre. Complaints will be categorised and forwarded to the relevant department for investigation, and response will be furnished to the complainant within the time constraint, the process of which will be kept confidential. In case that a complaint fails to be addressed during the period required, we will explain to the complainant, and continue to follow the case, or report it to the higher level of authority based on actual situation until it is handled. During the Reporting Period, the Group received a total of 1,223 complaints, all of which had been properly handled.

3.3 Information Security Guarantee

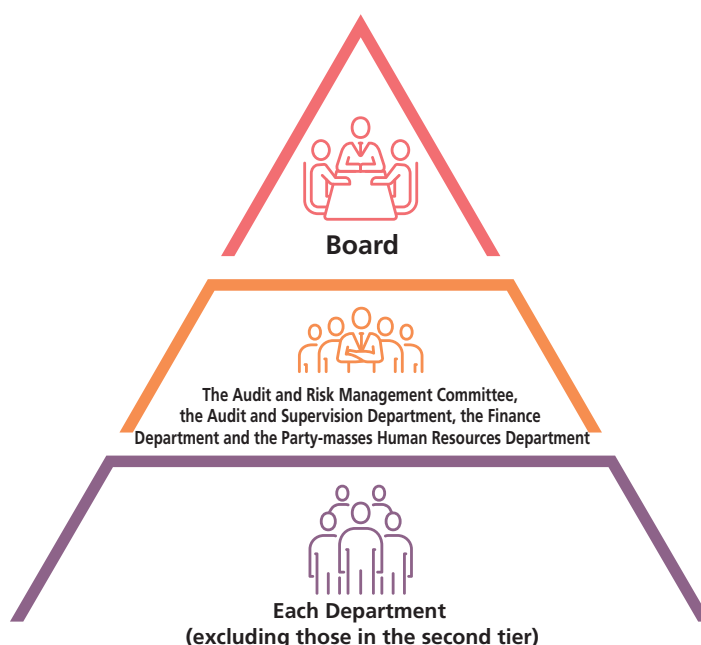
The Group strictly abides by the Law of the PRC on the Protection of State Secrets (《中華人民共和國保守國家秘密法》) and the Implementation Regulations of the Law of the PRC on the Protection of State Secrets (《中華人民共和國保守國家秘密法實施條例》) and other laws and regulations related to information security. We also formulated the Confidentiality Work System (《保密工作制度》) and the Archives Management System (《檔案管理制度》) to regulate the collection, collation, storage, use and filing of archives. We clearly define the confidentiality requirements for each post, and have installed genuine operating system and office software, set up IP addresses and established account passwords to restrict access to our system at different levels. Passwords are replaced on a regular basis to safeguard the security of customers and business information with multiple guarantees.

In terms of business information disclosure, in strict accordance with the Advertising Law of the PRC (《中華人民共和國廣告法》), Patent Law of the PRC (《中華人民共和國專利法》), Detailed Rules for the Implementation of Patent Law of the PRC (《中華人民共和國專利法實施細則》), Trademark Law of the PRC (《中華人民共和國商標法》) and Copyright Law of the PRC (《中華人民共和國著作權法》) and other laws and regulations, the Group ensures that advertisements contain complete, true and accurate information and no act of deception with false and misleading promotion is committed. The Group also complies with such laws and regulations in handling issues relating to intellectual property rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4 Committed to the Culture of Integrity

Dedicated to promote the corporate culture of integrity, the Group has always abided by the Supervision Law of the PRC (《中華人民共和國監察法》), the Company Law of the PRC (《中華人民共和國公司法》), the Criminal Law of the PRC (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and other laws and regulations related to clean operation, sparing no effort to safeguard the credibility and integrity of the Group.



We have formulated the Risk Management System (《風險管理制度》) and Measures for Compliance Management (《合規管理辦法》) to specify the management processes ranging from risk data collection, risk evaluation to risk response, and establish a sound internal control and risk management system and responsibilities. Our risk management system comprises three tiers, in which each department, excluding those in the second tier, acts as the first tier, and the Audit and Supervision Department, the Finance Department, the Party-masses Human Resources Department and the Audit and Risk Management Committee act as the second tier. The Audit and Supervision Department follows and inspects risk management from aspects of internal control assessment, risk management evaluation and internal audit, and the Finance Department and Party-masses Human Resources Department conduct centralised management over special risks in finance management and human resources management. The Audit and Supervision Department plays a dominant role among the three departments, and the Board acts as the third tier. Within such a risk management system, all departments and employees assume responsibilities for risk control to better tackle issues relating to risk management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

With respect to employee conduct, the Group also formulated the Anti-Money Laundering Administrative Measures (《反洗錢管理辦法》), Measures for Governing Micro-corruption (《治理「微腐敗」工作辦法》), Measures for Anti-Fraud Administration (《反舞弊工作管理辦法》), Interview System for the Construction of a Clean Party and Government (《黨風廉政建設約談制度》), Publicity and Education System for the Construction of a Clean Party and Government (《黨風廉政建設宣傳教育工作制度》) and Measures for the Administration of Fund Payment (《資金支付管理辦法》), so as to regulate behavior of employees and practices of the Company, and prevent committing fraudulent acts for personal ends. We also encourage employees and business partners to report potential fraudulent practice within the Group via telephone calls, e-mails, letters and other designated channels, and the identify of whistle-blowers will be kept confidential, in a move to achieve the corporate culture of integrity. During the Year, members of the Board and employees have received a three-hour training on internal control, comprehensive risk and integrity risk on 14 July 2021. A total of 89 participants attended the training, including all the Directors, and 80 departmental heads and employees of the Company.

During the Reporting Period, we did not receive any lawsuits against the Group or our employees or any cases of corruption, bribery, extortion, fraud and money laundering.

3.5 Supply Chain Management

Fostering sound cooperation with suppliers and contractors is crucial for the steady business development of the Group. The Group therefore focuses on supply chain management and strictly abides by the Law of the PRC on Tendering and Bidding (《中華人民共和國招標投標法》), the Implementation Regulations of the Law of the PRC on Tendering and Bidding (《中華人民共和國招標投標法實施條例》) and other laws and regulations, and has formulated the Interim Measures for Contract Management (《合同管理暫行辦法》) and Interim Measures for Bidding Management (《招標管理暫行辦法》) to standardise the principles and procedures of bidding and bid selection. Our Contract Management Department is responsible for procedural review and full-process management of bidding documents and routine recording and filing of contacts, and the Audit and Supervision Department is responsible for reviewing and monitoring the validity and compliance of bidding documents.

With respect to bid invitation, we assess suppliers in the basic principle of “horizontal comparison” based on the factors such as bidding requirements, quotation, quality and service, and maintain communications with them. We list in detail in the bidding documents the bidding conditions, background information and scope, as well as the indicative requirements for bidders, including qualification (whether there is a valid business license and safety production license, etc.), financial status, relevant construction performance (environmental protection and pollution prevention, implementation of project quality control and safety supervision, etc.), reputation, personnel qualifications and on-the-job requirements, and enter into the Supervision Contract with the project contractors, so as to ensure that the suppliers selected meet various operation and management requirements, and meanwhile preclude relevant environmental and social risks along the supply chain.

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In addition, to further popularise green procurement, we have formulated green procurement undertakings to the effect that product procurement and provision of services must comply with relevant rules, regulations and requirements concerning environmental protection, so as to mitigate impact on the environment during procurement and conserve nature resources, as well as step up efforts to protect the environment.

During the Year, a total of 1,130 suppliers were involved in the Group's business operations, all of which are subject to the supplier policy and measures described above and primarily fall into sectors of service, engineering, procurement, leasing, borrowing, transferring, purchase and sale and others. Distribution of suppliers by region is set out below:

| Region | Number of suppliers |
|---------------|---------------------|
| Sichuan | 1,063 |
| Beijing | 18 |
| Hong Kong | 13 |
| Shanxi | 8 |
| Hebei | 6 |
| Henan | 5 |
| Chongqing | 4 |
| Shanghai | 2 |
| Hubei | 2 |
| Fujian | 2 |
| Zhengzhou | 1 |
| Jiangxi | 1 |
| Yunnan | 1 |
| Shaanxi | 1 |
| Guangdong | 1 |
| Jiangsu | 1 |
| United States | 1 |

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4. REMARKABLE EMPLOYEES

The Group recognises that talents are important assets, and pivotal to its business development and operations. Therefore, the Group is committed to cultivating a fair, diverse and safe working environment, promotes various employee welfare and benefits, and provides comprehensive trainings to employees to improve the knowledge and skills required to perform their duties. Besides, the Group also strictly follows relevant labour standards to enhance its efficiency and cohesion. As of 31 December 2021, the Group had a total of 2,177 employees.

4.1 Employment Rights

The Group fosters a sound working environment for the employees and strictly abides by the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》), the Provisions on Prohibition of Child Labour (《禁止使用童工的規定》) and other laws and regulations on labour and employment, endeavoring to guarantee that employees are provided with proper protection.

With respect to talent recruitment, we formulated the Measures for the Administration of Recruitment (《招聘管理辦法》), which specifies recruitment process and mechanism, and establish the recruitment policy for a given year based on our actual situation and requirements. In addition, we also formulated the Administrative Measures for Internal Competition for Position (《內部競聘管理辦法》), pursuant to which recruitment is carried out in the principle of openness, fairness and impartiality under the democratic and organisational supervision, and relevant organisations and individuals violating such principle will receive punishment. Applicants are required to pass the qualification examination, competency test and interview, of which factors such as education background, morality, work experience, professional skills and comprehensive caliber will be taken into consideration while the applicants' gender, age, race and family background will not discriminate their opportunities of employment. We will make sure that all the information provided by employees during recruitment is accurate and true, so as to prevent the employment of child labour. For certain on-the-job employees, the Group motivates them to improve work efficiency with clear rewards and punishments focusing on job responsibilities, the results of which will serve as the basis of promotion or reward.

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We implement the standard-working-hour system, and follow the national practice regarding weekends and legal holidays. The Group also formulated Measures for the Administration of Labour Contracts (《勞動合同管理辦法》) to enter into written labour contracts with employees based on mutual agreement and prohibit forced labour. For employees who resign, we will understand the reason behind resignation and terminate contracts with them in accordance with relevant requirements in the Labour Law of the PRC (《中華人民共和國勞動法》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) to prevent unfair or unreasonable treatment.

During the Reporting Period, the Group did not record any case of non-compliance with laws and regulations on remuneration and removal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination and prevention of child labour and forced labour, nor did it identify any cases of child labour or forced labour within the Group. In case of any non-compliance with the labour standards, we will adopt measures to protect the legitimate interests of the employees.

4.2 Welfare and Benefits

The salary and benefit system of the Group gives due consideration to internal and external equality and demonstrates our strategy-based, market-oriented and performance-driven mechanism. We strictly abide by relevant state and regional government laws and regulations, and ensure that all the employees are reasonably paid legally, rationally and equally.

We participate in the employee retirement welfare plan and housing provident fund plan coordinated or organised by government departments according to China's national policies, and contribute to pension, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund for eligible employees, and purchase supplementary medical insurance for employees. Furthermore, the Group's Measures for Welfare Expenses Management (《福利費管理辦法》) specifies the categories of employee benefits and standardises the budget, expense method and supervision management of employee benefits. The Group offers diverse employee benefits, including cooling and heating subsidies, annual physical examination fees, personal accident insurance, and free breakfasts and lunches, birthday gift coupons, book vouchers, movie vouchers and financial subsidies to extend care and provide safeguards to employees from various aspects. Besides, the Measures for Welfare Expenses Management stipulates that in addition to statutory holidays, the Group also grants sick leave, personal leave, marriage leave, funeral leave, maternity leave, annual leave and other welfare leave. Total benefits are correlated with the economic performance of the Group, which will boost the efficiency and morale of our employees.

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4.3 Health and Safety

The Group attaches great importance to employee health and safety, and strictly abides by the Occupational Disease Prevention Law of the PRC (《中華人民共和國職業病防治法》), Production Safety Law of the PRC (《中華人民共和國安全生產法》), Fire Protection Law of the PRC (《中華人民共和國消防法》), Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》), Occupational Health Management Regulations in the Workplace (《工作場所職業衛生管理規定》) and Regulations on Work Injury Insurance (《工傷保險條例》). We have established safety protection measures and provided necessary protection equipment for employees engaged in dangerous tasks. In addition, we have developed emergency measures, such as fire or explosion response plans, and hold regular rescue and fire escape drills, which are all our safety measures. During the Reporting Period, we did not record any cases in violation of any relevant laws and regulations on providing a safe working environment and protecting employees from occupational hazards, nor did we record any severe accidents of work-related fatalities during the past three years (including the Year).




Moreover, the Group's Production Safety Responsibility System (《安全生產責任制度》), Production Safety Investment Guarantee System (《安全生產投入保障制度》) and Occupational Health Management System (《職業健康管理制度》) are also provisions safeguarding our production safety mechanism. They specify the production safety management responsibilities of leaders and functional departments at all levels, and implement the management system of "company-level supervision, department accountable and hierarchical management". In addition, the Group also implemented the Safety Education and Training Plan for 2021 (《2021年度安全教育培訓計劃》) to enhance the safety awareness of employees and their capability to handle emergencies, so as to vigorously implement the production safety regulations.

In order to strike a balance between the work and life of employees, we held various employee activities to improve their physical and mental health, and promote the communication between employees. During the Year, the Party branch, work union and league branch of Chengbei Exit Expressway Company jointly organised the "choose and love environmental protection to pursue a healthy lifestyle" theme activity in Xiangcao Lake Wetland Park to clean up the garbage and weeds there. We also held other activities, such as the "Civilised City" volunteer activity in which volunteers erected shared bikes lying on the ground and the low-carbon environmental protection campaign to promote environmental protection.

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4.4 Training and Development

The Group expects our employees to keep pace with the times and possess adequate knowledge and experience to address different challenges at work. Therefore, we have formulated the Employee Training Management System (《員工培訓管理制度》) to regulate and standardise the trainings, and prepared the Employee Education and Training Plan for 2021 (《2021年度員工教育培訓計劃》) based on the strategic development requirements of the Company and employee career planning, thereby improving the overall quality of employees through internal and external trainings and continuing education.

| | |
|--|---|
|  <p>Internal training</p> | <ul style="list-style-type: none"> Primarily including employee political and ideological education, pre-service education for new staff, on-the-job promotion of employee professional skills, and special topic sharing for external training, etc. |
|  <p>External training</p> | <ul style="list-style-type: none"> Based on the requirements of operation and management, we select employees to participate in all kinds of trainings, study tours, etc. organised by the Company and related departments (units) at higher levels or external training institutions Based on the themes of trainings, we invite lectures to the Company for intensive lecturing Learn advanced experience from industry peers or benchmarking enterprises to broaden horizons and enrich cognition |
|  <p>Continuing education</p> | <ul style="list-style-type: none"> Upon approval, employees will take part in academic education for the purpose of improving their professional skills, professional title examination or evaluation organised by the state and professional qualification examination according to their own performance needs and career planning |



During the Reporting Period, the Group carried out trainings on safety education, business trainings for news correspondents and party workers, employee education trainings, and trainings on H-share listing compliance, internal control, comprehensive risk and integrity risk. Employees at all levels from front-line staff to the management attended the trainings, which comprehensively improved their professional knowledge and post competency, and at the same time strengthened the competitiveness and productivity of the Group.

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5. GREEN CORPORATE CULTURE

The Group is well aware of the importance of environmental protection, and therefore properly implements environmental protection and pollution control in its daily business operations. It strictly abides by the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Soil and Water Conservation (《中華人民共和國水土保持法》), the Regulations on Comprehensive Management of Urban and Rural Environment in Sichuan Province (《四川省城鄉環境綜合治理條例》) and other laws and regulations, and formulated the Administrative Measures for Comprehensive Management of Urban and Rural Environment (《城鄉環境綜合治理管理辦法》) in the principle of “prevention first and a combination of prevention and control” to standardise and manage the appearance, order, environmental sanitation, facilities, public services and greening landscape alongside the entire expressway lines operated by the Group, office premises, service areas and gas stations, and handle various environmental complaints such as dust, noise and sewage. Our impact on the environment and natural resources is primarily due to consumption of energy, office consumables, drinking water and domestic waste generated in the office. We recognise the responsibility for environmental protection of enterprises, and strive to prevent and control pollution caused by exhaust gas, sewage, waste and noise. We are committed to minimising the impact of day-to-day operation on the environment and enhancing employees’ environmental protection awareness, making every endeavor to mitigate potential impact on the environment. During the Reporting Period, the Group did not violate any laws on environmental protection or result in major accidents with an impact on the environment and natural resources, nor did it receive any punishment and litigation notice related to the environment.

5.1 Emissions Management

Major air emissions of the Group are exhaust from official vehicles. However, in strict accordance with the Interim Provisions on the Prevention and Control of Urban Dust Pollution in Chengdu (《成都市城市揚塵污染防治管理暫行規定》) and to reduce exhaust emissions, we formulated the Implementation Plan for the Reform of Official Vehicle System (《公務用車制度改革實施方案》), which strictly regulates the purchase, lease, operation management and disposal of official vehicles. We use cleaner and more environmentally-friendly gasoline, and will choose vehicles that meet the sixth stage of China’s national emission standards for motor vehicles in future vehicle replacement, gradually eliminate inefficient vehicles, and provide them with timely maintenance to improve fuel efficiency, and meanwhile make sure to shut down engine while the vehicle is not running, so as to reduce exhaust emissions.

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In addition, greenhouse gas emissions generated during business operations are also monitored by us. The Group conducts greenhouse gas inventory with reference to the Greenhouse Gas Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO 14064-1 formulated by the International Organisation for Standardisation. During the Reporting Period, the Group's greenhouse gas emissions were as follows:

| Greenhouse gas emission performance | | Unit | 2021 |
|-------------------------------------|-----------------------------------|--|-----------|
| Greenhouse gas emissions | | | |
| Scope 1 | Direct greenhouse gas emissions | tonnes of CO ₂ equivalent | 1,663.88 |
| Scope 2 | Indirect greenhouse gas emissions | tonnes of CO ₂ equivalent | 9,017.58 |
| Scope 1 and scope 2 | Total greenhouse gas emissions | tonnes of CO ₂ equivalent | 10,681.46 |
| Scope 1 and scope 2 | Greenhouse gas emission intensity | tonnes of CO ₂ equivalent/million of revenue in RMB | 3.95 |



Scope 1: representing direct greenhouse gas emissions and removals (greenhouse gas removals from trees planted by the Company) from resources owned and controlled by the Group.

Scope 2: representing indirect greenhouse gas emissions from power generation, heat supply and cooling process or steam purchased by the Group from external sources.

During the Reporting Period, the total amount of greenhouse gas emissions of the Group was 10,681.46 tonnes of carbon dioxide equivalent; and the intensity of greenhouse gas emissions was 3.95 tonnes of carbon dioxide equivalent per million revenue in RMB. The Group will proactively implement the measures to reduce greenhouse gas emissions with an aim to maintain or gradually reduce greenhouse gas emission intensity¹ (scope 1 and scope 2) while maintaining comparable operations in the future.

5.2 Noise Management

Traffic noise on expressways is a topic of great concern to the Group, and we endeavor to reduce the traffic noise caused to nearby residents. We have engaged the Highway Planning, Survey, Design and Research Institute of Department of Transportation of Sichuan Province of China to complete the noise barrier design in accordance with relevant technical specifications and implementation standards such as Code for Highway Environmental Protection Design (《公路環境保護設計規範》), Code for Acoustic Design and Measurement of Noise Barrier (《聲屏障聲學設計和測量規範》) and Unified Standard for Reliability Design of Highway Engineering Structures (《公路工程結構可靠性設計統一標準》). We also predict the noise pollution sections of expressways according to the dynamic traffic conditions, and reduce the noise pollution by setting up green belts and planting tall trees along the roadside, erecting sound barriers on both sides of the road, and installing double-layer hollow sound-proof glass windows for households alongside. In addition, we have maintained the pavement of expressways through repairment of the potholes, so as to reduce the noise caused while driving. Meanwhile, we have installed no-whistling signs on some road sections according to the situation to effectively reduce the noise caused by vehicle whistling.

¹ As we expanded the collection scope of environmental data and due to ongoing business growth during the Year, the current environmental data do not reflect the overall operating condition of the Group. We will set another appropriate base year in the future depending on business operation.

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5.3 Energy Conservation and Consumption Reduction

In order to reduce energy consumption, the Group introduced a series of energy conservation measures. Firstly, we divide our office premise into different lighting areas, set up independently controllable lighting switches in different areas, reduce the number of lamps out of the required brightness, turn off the lights when the office is idle, and keep the lighting devices clean to improve their energy efficiency. On the other hand, our air conditioner adopts a central control and monitoring system, and will be turned off when the office is not in use. We also allow employees to wear no ties in hot weather conditions and wear casual clothes to work every Friday to reduce the use of air conditioner. In addition, we set the computers to the sleep mode when idle, turn off the electronic equipment during non-working hours, and cut off the office power before rest days and holidays, and also concentrate multiple servers in a single higher-capacity server to save energy.

We collect power consumption data on a monthly basis to identify potential for improvements. During the Year, the Group's total power consumption during operation was 14,780.49 MWh, and the intensity of power consumption was 5.47 MWh per million of revenue in RMB. The Group will proactively implement the energy conservation measures with an aim to maintain or gradually reduce power consumption intensity¹ while maintaining comparable operations in the future.

5.4 Water Conservation

The Group advocates the concept of water conservation and aspires to reduce the waste of water resources. We put up water conservation signs in the bathroom to remind employees to turn off the water tap. In addition, we use faucet with infrared sensor, which can avoid waste of running water for a long period. In case of faucet leaks, we will immediately notify the building property management unit to repair, so as to avoid waste. During the Reporting Period, the Group consumed 106,013.11 cubic metres of water in operation, and the intensity of water consumption was 39.24 cubic metres per million of revenue in RMB. We did not encounter any problems in searching for water fit for purpose. Moreover, the Group will proactively implement the water resource management measures with an aim to maintain or gradually reduce water consumption intensity¹ while maintaining comparable operations in the future.

5.5 Proper Use of Resources

The Group makes rational use of the resources on the planet. In terms of paper consumption, we adopt double-sided printing for formal documents, and reuse paper as much as possible. For informal documents, we suggest using thinner fonts and smaller line spacing in printing to save paper. In addition, we set the computers and printers to the default mode of double-sided and ink-saving printing, replace paper-based office work with electronic communication and automation systems, use waste paper to keep records, and install electronic hand dryers, all of which reduced paper consumption. Furthermore, we reuse stationery such as envelopes, binders and replace pen refills instead of pens, so as to reduce the use of disposable and non-recyclable products. Besides, we evaluate the amount of materials to avoid excessive inventory. During the Reporting Period, the total amount of paper consumed by the Group was 9,759.21 kg, and the intensity of paper consumption was 3.61 kg per million of revenue in RMB. In the future, we will continuously monitor and control the consumption of paper and other resources in order to contribute to environmental protection.

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5.6 Waste Management

The Group stringently handles waste disposal and meticulously prevents environmental pollution. The Group strictly abides by the Law of the PRC on Environmental Protection by Solid Wastes (《中華人民共和國固體廢物污染環境保護法》) and other laws and regulations to manage the wastes generated during business operations. In terms of kitchen waste, we entered into agreements with professional storage companies on the disposal of kitchen waste to ensure proper removal, recovery and disposal. The hazardous wastes generated by us are mainly used ink cartridges and toner cartridges, which were recycled for reuse by the agent engaged by us. During the Reporting Period, the total amount of non-hazardous waste generated by the Group was 550.79 tonnes, and the intensity of non-hazardous waste generated was 0.20 tonne per million of revenue in RMB; the total amount of hazardous waste generated was 981.58 kg, including computer mainframe, waste ink cartridges, waste toner cartridges, waste batteries and photosensitive drums, and the intensity of hazardous waste generated was 0.36 kg per million of revenue in RMB. In the future, we will continue to monitor the generation of non-hazardous and hazardous wastes and promote various waste management and recycling measures. Moreover, the Group will proactively implement the materials conservation and waste classification measures with an aim to maintain or gradually reduce waste intensity¹ while maintaining comparable operations in the future.

5.7 Exploitation of Idle Land

The Group focuses on the exploitation of idle land. During the Reporting Period, we conducted research into 1 plot of idle land held by the Company and designed targeted revitalisation plans, which contributed certain revenue streams and enhanced land utilisation rate.

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5.8 Addressing Climate Change

The Group keeps close track of the challenges caused by climate change and the impact on the operation of the Group. In order to effectively cope with climate change, we have identified the climate risks related to us and come up with relevant countermeasures.

| Climate risk | Potential impact | Countermeasures for climate risk |
|----------------------------|--|--|
| Acute climate risk | Extreme weather conditions caused by climate change, such as landslides, flooding and visibility degradation caused by super typhoon and rainstorm, which threatens the safety of road users and employees | <ul style="list-style-type: none"> • Review the impact of extreme weather on business, and formulate contingency plans for extreme weather conditions • Conduct regular emergency drills |
| Chronic climate risk | Extreme hot weather conditions will increase the chance of employees working outdoors to suffer from heatstroke and in turn the risk of work-related injuries | <ul style="list-style-type: none"> • Formulate measures and plans to guarantee the safety of employees |
| Policy and regulatory risk | Unable to adapt to stricter national climate-related policies and regulations will have an impact on business operations | <ul style="list-style-type: none"> • Stay tuned to the latest relevant laws and regulations in the market • Adopt various energy-saving and emission-reduction measures to meet the requirements of energy-saving and emission-reduction and green transformation policies and reduce policy risks |

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6. ENTHUSIASM TO COMMUNITY

While pursuing business expansion, the Group also makes proactive contributions to the community, and partners with all walks of life to promote the sustainable social development. During the Reporting Period, the Group donated approximately RMB70,540 to charitable undertakings from a total of 2,028 participants.



Elderly caring activity

The Group pays attention to the disadvantaged groups and is aware of the difficulties of the disadvantaged groups in life, it carried out several poverty relief activities during the Year, such as dispatching volunteers stationing at villages to designated kindergartens and nursing homes to extend care to the children and elderly for consecutive times, participating in voluntary blood donation activities and organising donations of money and materials. We have been providing aids to orphaned and disabled elderly and families of disabled children for 13 years and 7 years in a row, respectively. The grass-roots units of the Group proactively contacted the local villages and communities, and took the initiative to establish connection with the disadvantaged groups, aspiring to improve their lives with practical actions.

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7. RIGOROUS PANDEMIC CONTAINMENT MEASURES

The Group attaches great importance to pandemic prevention and control, and endeavors to prevent the pandemic from further spreading. We issued the Emergency Plan for COVID-19 Pandemic Prevention and Control (《新冠肺炎疫情防控工作应急预案》), established and improved the COVID-19 prevention and control emergency system, implemented various prevention and control measures, and set up an anti-COVID-19 leading group, which comprises of heads of different departments of the Company and defined the anti-pandemic tasks of each department. We asked all Group members to supervise and urge the service areas under their management to comprehensively implement the body temperature detection, and health code verification and registration at entrance. Front-line workers were provided with surgical facial masks, body temperature detection guns, gloves and goggles to ensure effective pandemic prevention measures were adopted for employees. We strengthened ventilation in office premises and other workplaces, carried out disinfection in office and toll booths at least twice a day, and effectively implemented the anti-COVID-19 measures in the principle of “early detection, early reporting, early quarantine and early treatment”.

In addition, the Group also set up an anti-COVID-19 vanguard team to assist the community in pandemic prevention. The vanguard team assisted medical staff to conduct nucleic acid testing for all members of the community, and a total of more than 3,500 residents were tested. We also carried out dissuasion and policy propaganda with respect to pandemic prevention and control, distributed more than 7,000 items of daily necessities, medical and health products, condolences and other materials, and investigated the hidden hazards in pandemic prevention and control. We contacted the community in time to improve and plug the loopholes in pandemic prevention after identifying hidden dangers in isolation doors, fences and other lock-down facilities within the community. Furthermore, the party member representatives from the Party Branch of Chengdu Management Station of the Chengguan Expressway of Operation Company went to Xihe Community Party Branch of Xipu Street, Pidu District to express condolences to the community workers who fought the pandemic in the front line. After learning about the grim anti-pandemic situation in the community, the representatives immediately managed to obtain facial masks, drinking water, food and other materials to support the anti-pandemic initiative and contribute to the community.

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APPENDIX I: SUSTAINABILITY DATA SUMMARY

The following includes the sustainability data in the environmental subject area of all the offices, all sections of expressways, station buildings, toll stations and petrol stations² of the Group for the Year:

| | Unit | 2021 ³ |
|--|--|-------------------|
| Emissions⁴ | | |
| Nitrogen oxides | kg | 5,572.28 |
| Sulfur oxides | kg | 8.48 |
| Particulate matter | kg | 522.39 |
| Greenhouse gas (GHG) emissions | | |
| Direct GHG emissions (Scope 1) | tonnes of CO ₂ e | 1,663.88 |
| Indirect GHG emissions (Scope 2) | tonnes of CO ₂ e | 9,017.58 |
| Total GHG emissions (Scope 1 and 2) | tonnes of CO ₂ e | 10,681.46 |
| Intensity of GHG emissions (Scope 1 and 2) | tonnes of CO ₂ e/per million revenue in RMB | 3.95 |
| Energy consumption | | |
| Natural gas consumption | cubic metre | 41,407.00 |
| Intensity of natural gas consumption | cubic metre/per million revenue in RMB | 15.32 |
| Petrol consumption | litre | 170,425.77 |
| Intensity of petrol consumption | litre/per million revenue in RMB | 63.07 |
| Diesel consumption | litre | 393,807.31 |
| Intensity of diesel consumption | litre/per million revenue in RMB | 145.75 |
| Power consumption | MWh | 14,780.49 |
| Intensity of power consumption | MWh/per million revenue in RMB | 5.47 |
| Total energy consumption | MWh | 20,800.56 |
| Intensity of energy consumption | MWh/per million revenue in RMB | 7.70 |
| Water consumption | | |
| Total water consumption | cubic metre | 106,013.11 |
| Water consumption intensity | cubic metre/per million revenue in RMB | 39.24 |
| Paper consumption | | |
| Total paper consumption | kg | 9,759.21 |
| Paper consumption intensity | kg/per million revenue in RMB | 3.61 |
| Waste generated | | |
| Total non-hazardous waste | tonnes | 550.79 |
| Non-hazardous waste intensity | tonnes/per million revenue in RMB | 0.20 |
| Total hazardous waste | kg | 981.58 |
| Hazardous waste intensity | kg/per million revenue in RMB | 0.36 |

² The scope of environmental data collected for the current year were extended to include those generated at the offices of Chengdu Communications Investment Energy Operation and Management Co., Ltd. and Chengdu Communications Investment New Energy Industrial Development Co., Ltd. as well as the Expressway Operation Management Center.

³ Increase in 2021 as compared to 2020 was primarily attributable to the extension in scope of environmental data.

⁴ Emissions represent exhaust gases from official vehicles, which were calculated based on the emission coefficient contained in Appendix II Reporting Guidance on Environmental KPIs issued by the Stock Exchange.

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The following is the Group's sustainability data summary in the social subject area for the Year:

| | Unit | 2021 |
|--|--------|--------------|
| Total number of employees | number | 2,177 |
| Number of employees by gender | | |
| Female | number | 1,309 |
| Male | number | 868 |
| Number of employees by category | | |
| Frontline employees | number | 1,862 |
| Junior employees | number | 238 |
| Mid-level management | number | 53 |
| Senior management | number | 24 |
| Number of employees by age group | | |
| Under 30 | number | 587 |
| Between 30 to 50 | number | 1,441 |
| Above 50 | number | 149 |
| Number of employees by geographical region | | |
| Sichuan Province, China | number | 2,177 |
| Turnover rate of employees⁵ | % | 6.80 |
| Turnover rate of employees by gender⁵ | | |
| Female | % | 6.26 |
| Male | % | 7.60 |
| Turnover rate of employees by age group⁵ | | |
| Under 30 | % | 11.75 |
| Between 30 to 50 | % | 4.30 |
| Above 50 | % | 11.41 |
| Turnover rate of employees by geographical region⁵ | | |
| Sichuan Province, China | % | 6.8 |

⁵ Turnover rate is arrived at by dividing the number of employees by category lost by the number of employees by category at the end of the year

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| | Unit | 2021 |
|--|--------|------------|
| Percentage of employees trained | % | 100 |
| Percentage of employees trained by gender⁶ | | |
| Female | % | 100 |
| Male | % | 100 |
| Percentage of employees trained by category⁶ | | |
| Frontline employees | % | 100 |
| Junior employees | % | 100 |
| Mid-level management | % | 100 |
| Senior management | % | 100 |
| Average training hours per employee by gender | | |
| Female | hour | 27.06 |
| Male | hour | 23.93 |
| Average training hours per employee by category | | |
| Frontline employees | hour | 26.29 |
| Junior employees | hour | 29.13 |
| Mid-level management | hour | 64.88 |
| Senior management | hour | 52.59 |
| Occupational health and safety | | |
| Work-related casualties in 2021 | Person | 0 |
| Percentage of work-related casualties in 2021 | % | 0 |
| Work-related casualties in 2020 | Person | 0 |
| Percentage of work-related casualties in 2020 | % | 0 |
| Work-related casualties in 2019 | Person | 0 |
| Percentage of work-related casualties in 2019 | % | 0 |
| Work days lost due to work-related injury | Day | 306 |



⁶ Method of calculation: employees trained of a given category divided by the number of employees of a given category as at the end of the year and multiplied by 100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX II: HKEX ESG REPORTING GUIDE CONTENT INDEX

| Indicator | | Chapter |
|--------------------------------|---|---|
| A. Environmental Aspect | | |
| A1: | Emissions | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Green Corporate Culture-Emissions Management; Waste Management; Sustainability Data Summary |
| A1.1 | The types of emissions and respective emissions data. | Green Corporate Culture-Emissions Management; Sustainability Data Summary |
| A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Green Corporate Culture-Emissions Management; Sustainability Data Summary |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Green Corporate Culture-Waste Management; Sustainability Data Summary |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Green Corporate Culture-Waste Management; Sustainability Data Summary |
| A1.5 | Description of emission target(s) set and steps taken to achieve them. | Green Corporate Culture-Emissions Management |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Green Corporate Culture-Waste Management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Indicator | | Chapter |
|--------------------|--|--|
| A2: | Use of Resources | |
| General Disclosure | Policies on efficient use of resources including energy, water, and other raw materials. | Green Corporate Culture-Energy Conservation and Consumption Reduction; Water Conservation; Proper Use of Resources |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Green Corporate Culture-Energy Conservation and Consumption Reduction; Sustainability Data Summary |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Green Corporate Culture-Water Conservation; Sustainability Data Summary |
| A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Green Corporate Culture-Energy Conservation and Consumption Reduction |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Green Corporate Culture-Water Conservation |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Not applicable as the Group's business does not involve any packaging materials |
| A3: | The Environment and Natural Resources | |
| General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | Green Corporate Culture |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them. | Green Corporate Culture |
| A4: | Climate Change | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Addressing Climate Change |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Addressing Climate Change |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Indicator | | Chapter |
|-------------------------|---|--|
| B. Social Aspect | | |
| B1: | Employment | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Remarkable Employees-Employment Rights; Welfare and Benefits |
| B1.1 | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. | Sustainability Data Summary |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | Sustainability Data Summary |
| B2: | Health and Safety | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Remarkable Employees-Health and Safety |
| B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Remarkable Employees-Health and Safety |
| B2.2 | Lost days due to work injury. | Remarkable Employees-Health and Safety |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Remarkable Employees-Health and Safety |
| B3: | Development and Training | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Remarkable Employees-Training and Development |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Sustainability Data Summary |
| B3.2 | The average training hours completed per employee by gender and employee category. | Sustainability Data Summary |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Indicator | | Chapter |
|--------------------|--|---|
| B4: | Labour Standards | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Remarkable Employees-Employment Rights |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Remarkable Employees-Employment Rights |
| B4.2 | Description of steps taken to eliminate non-compliance when discovered. | Remarkable Employees-Employment Rights |
| B5: | Supply Chain Management | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Strictly Standardised Operation-Supply Chain Management |
| B5.1 | Number of suppliers by geographical region. | Strictly Standardised Operation-Supply Chain Management |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Strictly Standardised Operation-Supply Chain Management |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Strictly Standardised Operation-Supply Chain Management |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Strictly Standardised Operation-Supply Chain Management |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Indicator | | Chapter |
|--------------------|---|--|
| B6: | Product Responsibility | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Strictly Standardised Operation-Road and Energy Safety Management; Premium Customer Service; Information Security Guarantee |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Not applicable as the Group's business does not involve any products sold or shipped |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | Strictly Standardised Operation-Premium Customer Service |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Strictly Standardised Operation-Information Security Guarantee |
| B6.4 | Description of quality assurance process and recall procedures. | Strictly Standardised Operation-Road and Energy Safety Management |
| B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Strictly Standardised Operation-Information Security Guarantee |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Indicator | | Chapter |
|--------------------|---|--|
| B7: | Anti-corruption | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering. | Strictly Standardised Operation-Committed to the Culture of Integrity |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases. | Strictly Standardised Operation-Committed to the Culture of Integrity |
| B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | Strictly Standardised Operation-Committed to the Culture of Integrity |
| B7.3 | Description of anti-corruption training provided to directors and staff. | Strictly Standardised Operation-Committed to the Culture of Integrity |
| B8: | Community Investment | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests. | Enthusiasm to Community |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Enthusiasm to Community |
| B8.2 | Resources contributed to the focus area. | Enthusiasm to Community |

INDEPENDENT AUDITOR'S REPORT



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Ernst & Young Hua Ming (2022) Shen Zi No. 61267756_D01
Chengdu Expressway Co., Ltd.

To the shareholders of Chengdu Expressway Co., Ltd.,

(I) OPINION

We have audited the financial statements of Chengdu Expressway Co., Ltd., which comprise the consolidated and company's balance sheets as at 31 December 2021, and the consolidated and company's income statements, the statements of changes in equity and the statements of cash flows for 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements of Chengdu Expressway Co., Ltd. present fairly, in all material respects, the consolidated and company's financial position of Chengdu Expressway Co., Ltd. as at 31 December 2021, and the consolidated and company's financial performance and cash flows for 2021 in accordance with Accounting Standards for Business Enterprises.

(II) BASIS OF OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Chengdu Expressway Co., Ltd. and we have fulfilled our other ethical responsibilities in accordance with China Code of Ethics for Certified Public Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT



Ernst & Young Hua Ming (2022) Shen Zi No. 61267756_D01
Chengdu Expressway Co., Ltd.

(III) KEY AUDIT MATTERS *(continued)*

| Key audit matter: | How our audit addressed the key audit matter: |
|---|--|
| <i>Amortisation of expressway service concession rights in intangible assets</i> | |
| <p>The amortisation of service concession rights is provided on a unit-of-usage basis, based on the share of traffic volume in a particular period over the total projected traffic volume throughout the service concession period. The projection of the total traffic volume involves significant management judgement and estimates, including the expected gross domestic product (the "GDP") growth rate and the impact of other road networks within the same area.</p> <p>The management initially engaged independent professional traffic research institutions to assess the projected total traffic volume on each expressway during the service concession period for the purpose of the service concession rights. In follow-up periods, the management reviews the projected total traffic volume on a regular basis, and in case of any significant discrepancy and such discrepancy to persist, the Group will entrust professional institutions to perform independent and professional traffic researches to make appropriate adjustments.</p> <p>The accounting policies and disclosures in relation to amortisation of expressway concession rights are included in Note III.14, Note III.26 and Note VI.13.</p> | <p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> (1) We interviewed the Group's management and understood the internal control associated with the review of the projected traffic volume against actual traffic volume; (2) We reviewed the estimated projected total traffic volume of the Group's expressways and assessed whether these estimates showed any evidence of management bias; (3) We focused our analysis on management's key assumptions used in the estimates of the traffic volume such as the GDP growth rate, the impact of other road networks within the same area, the historical accuracy of management's estimates and assessed the consistency of the assumptions across expressways; (4) We considered whether the amortisation methodology adopted by the Group best represented the way in which estimated economic benefits from the expressway service rights will be generated; and (5) We assessed the adequacy of the related disclosures in the financial statements. |

INDEPENDENT AUDITOR'S REPORT



Ernst & Young Hua Ming (2022) Shen Zi No. 61267756_D01
Chengdu Expressway Co., Ltd.

(IV) OTHER INFORMATION

The management of Chengdu Expressway Co., Ltd. is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

(V) RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of Chengdu Expressway Co., Ltd. is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Chengdu Expressway Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate Chengdu Expressway Co., Ltd. or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Chengdu Expressway Co., Ltd.'s financial reporting process.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young Hua Ming (2022) Shen Zi No. 61267756_D01
Chengdu Expressway Co., Ltd.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Chengdu Expressway Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Chengdu Expressway Co., Ltd. to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young Hua Ming (2022) Shen Zi No. 61267756_D01
Chengdu Expressway Co., Ltd.

(VI) AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Chen Xiaoxiang
(Engagement partner)

Chinese Certified Public Accountant: Xiong Jing

Beijing, PRC

24 March 2022

CONSOLIDATED BALANCE SHEET

31 December 2021 Unit: RMB

| ASSETS | Note VI | 31 December 2021 | 31 December 2020 |
|--|---------|------------------|------------------|
| Current assets | | | |
| Currency funds | 1 | 1,887,351,380 | 1,759,686,050 |
| Accounts receivable | 2 | 144,714,700 | 68,616,554 |
| Prepayments | 3 | 43,331,550 | 23,295,171 |
| Other receivables | 4 | 59,693,549 | 12,531,257 |
| Inventories | 5 | 46,134,548 | 54,557,700 |
| Non-current assets due within one year | 7 | – | 430,000 |
| Other current assets | 6 | 1,270,364 | 4,032,013 |
| Total current assets | | 2,182,496,091 | 1,923,148,745 |
| Non-current assets | | | |
| Long-term receivables | 7 | 2,150,000 | 1,720,000 |
| Long-term equity investments | 8 | 387,894,091 | 300,275,502 |
| Other non-current financial assets | 9 | 13,950,700 | 500,000 |
| Fixed assets | 10 | 350,564,711 | 369,876,164 |
| Construction in progress | 11 | 24,884,184 | 26,760,079 |
| Right-of-use assets | 12 | 45,670,419 | 48,219,930 |
| Intangible assets | 13 | 6,055,765,246 | 6,268,020,216 |
| Goodwill | 14 | 34,025,910 | 34,025,910 |
| Long-term prepaid expenses | 15 | 452,765 | 341,280 |
| Deferred tax assets | 16 | 30,083,024 | 32,562,381 |
| Other non-current assets | 17 | 29,801,217 | 61,957,065 |
| Total non-current assets | | 6,975,242,267 | 7,144,258,527 |
| Total assets | | 9,157,738,358 | 9,067,407,272 |

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED BALANCE SHEET

31 December 2021 Unit: RMB

| LIABILITIES AND EQUITY | Note VI | 31 December 2021 | 31 December 2020 |
|--|---------|------------------|------------------|
| Current liabilities | | | |
| Accounts payable | 19 | 842,544,627 | 927,658,950 |
| Contract liabilities | 20 | 21,503,756 | 35,232,383 |
| Employee benefits payable | 21 | 48,628,003 | 32,238,051 |
| Taxes and surcharges payable | 22 | 44,802,820 | 52,240,944 |
| Other payables | | 201,858,227 | 229,942,691 |
| Non-current liabilities due within one year | 23 | 253,742,390 | 229,893,532 |
| Total current liabilities | | 1,413,079,823 | 1,507,206,551 |
| Non-current liabilities | | | |
| Long-term borrowings | 24 | 2,732,000,000 | 2,968,000,000 |
| Lease liabilities | 25 | 36,988,170 | 40,957,579 |
| Deferred tax liabilities | 16 | 185,740,100 | 184,570,874 |
| Other non-current liabilities | 26 | 188,497,999 | 194,764,658 |
| Total non-current liabilities | | 3,143,226,269 | 3,388,293,111 |
| Total liabilities | | 4,556,306,092 | 4,895,499,662 |
| Equity | | | |
| Share capital | 27 | 1,656,102,000 | 1,656,102,000 |
| Capital reserves | 28 | 504,353,491 | 503,968,616 |
| Specialised reserves | 29 | 14,906,630 | 12,176,671 |
| Surplus reserves | 30 | 213,889,871 | 173,993,461 |
| Unappropriated profit | 31 | 1,308,271,876 | 933,904,013 |
| Total equity attributable to shareholders of the Company | | 3,697,523,868 | 3,280,144,761 |
| Non-controlling interests | | 903,908,398 | 891,762,849 |
| Total equity | | 4,601,432,266 | 4,171,907,610 |
| Total liabilities and equity | | 9,157,738,358 | 9,067,407,272 |

The financial statements have been signed by:

Legal representative:

Financial controller:

Accounting supervisor:

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT

2021 Unit: RMB

| | Note VI | 2021 | 2020 |
|--|---------|----------------------|---------------|
| Revenue | 32 | 2,702,370,887 | 2,038,352,063 |
| Less: Cost of sales | 40 | 1,685,900,973 | 1,351,790,802 |
| Taxes and surcharges | | 11,341,541 | 9,372,578 |
| Selling expenses | 40 | 57,813,384 | 56,540,870 |
| Administrative expenses | 40 | 118,877,263 | 90,957,453 |
| Finance expenses | 33 | 100,148,361 | 111,384,066 |
| Including: Interest expenses | | 136,721,789 | 136,438,811 |
| Interest income | | 39,008,570 | 26,938,295 |
| Add: Other income | | – | 196,086 |
| Investment income | 34 | 44,830,913 | 33,034,660 |
| Including: Income from investments in associates and a joint venture | | 44,496,113 | 33,034,660 |
| Credit impairment loss | 35 | (2,025,195) | (46,395,443) |
| Gains from disposal of assets | 36 | 35,666,406 | 1,675,813 |
| Operating profit | | 806,761,489 | 406,817,410 |
| Add: Non-operating income | 37 | 20,275,123 | 25,106,312 |
| Less: Non-operating expenses | 38 | 1,271,514 | 7,408,857 |
| Total profit | | 825,765,098 | 424,514,865 |
| Less: Income tax expenses | 41 | 140,706,655 | 49,109,625 |
| Net profit | | 685,058,443 | 375,405,240 |
| Including: Net profit of entity being absorbed before a business combination involving entities under common control | | – | 18,055,169 |
| Classified by continuity of operations | | | |
| Net profit from continuing operations | | 685,058,443 | 375,405,240 |
| Classified by ownership | | | |
| Net profit attributable to shareholders of the Company | | 614,652,615 | 341,381,113 |
| Net profit attributable to non-controlling interests | | 70,405,828 | 34,024,127 |
| Total comprehensive income | | 685,058,443 | 375,405,240 |
| Including: | | | |
| Total comprehensive income attributable to shareholders of the Company | | 614,652,615 | 341,381,113 |
| Total comprehensive income attributable to non-controlling interests | | 70,405,828 | 34,024,127 |
| Earnings per share (RMB/share) | | | |
| Basic and diluted earnings per share | 42 | 0.37 | 0.21 |

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2021 Unit: RMB

2021

| | Attributable to shareholders of the Company | | | | | Subtotal | Non-controlling interests | Total equity |
|--|---|------------------|----------------------|------------------|-----------------------|---------------|---------------------------|---------------|
| | Share capital | Capital reserves | Specialised reserves | Surplus reserves | Unappropriated profit | | | |
| I. Closing balances of the preceding year | 1,656,102,000 | 503,968,616 | 12,176,671 | 173,993,461 | 933,904,013 | 3,280,144,761 | 891,762,849 | 4,171,907,610 |
| II. Changes in the current year | | | | | | | | |
| (I) Total comprehensive income | - | - | - | - | 614,652,615 | 614,652,615 | 70,405,828 | 685,058,443 |
| (II) Shareholder contribution and capital reduction | | | | | | | | |
| 1 Acquisition of non-controlling interests in subsidiaries | - | 384,875 | - | - | - | 384,875 | (2,436,348) | (2,051,473) |
| (III) Profit distribution | | | | | | | | |
| 1 Appropriation of surplus reserves | - | - | - | 39,896,410 | (39,896,410) | - | - | - |
| 2 Distribution to shareholders | - | - | - | - | (200,388,342) | (200,388,342) | (58,248,837) | (258,637,179) |
| (IV) Specialised reserves | | | | | | | | |
| 1 Appropriation during the year | - | - | 4,300,729 | - | - | 4,300,729 | 4,006,779 | 8,307,508 |
| 2 Utilisation during the year | - | - | (1,570,770) | - | - | (1,570,770) | (1,581,873) | (3,152,643) |
| III. Closing balances for the year | 1,656,102,000 | 504,353,491 | 14,906,630 | 213,889,871 | 1,308,271,876 | 3,697,523,868 | 903,908,398 | 4,601,432,266 |

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2021 Unit: RMB

2020

| | Attributable to shareholders of the Company | | | | | | Non-controlling interests | Total equity |
|---|---|------------------|----------------------|------------------|-----------------------|---------------|---------------------------|---------------|
| | Share capital | Capital reserves | Specialised reserves | Surplus reserves | Unappropriated profit | Subtotal | | |
| I. Closing balances of the preceding year | 1,656,102,000 | 828,681,845 | - | 136,394,930 | 678,814,745 | 3,299,993,520 | 516,011,925 | 3,816,005,445 |
| Add: Business combination involving entities under common control | - | 402,856,771 | 9,048,796 | - | 150,038,926 | 561,944,493 | 356,604,749 | 918,549,242 |
| II. Opening balance for the year | 1,656,102,000 | 1,231,538,616 | 9,048,796 | 136,394,930 | 828,853,671 | 3,861,938,013 | 872,616,674 | 4,734,554,687 |
| III. Changes in the current year | | | | | | | | |
| (I) Total comprehensive income | - | - | - | - | 341,381,113 | 341,381,113 | 34,024,127 | 375,405,240 |
| (II) Shareholder contribution and capital reduction | | | | | | | | |
| 1 Shareholder contribution | - | - | - | - | - | - | 44,852,000 | 44,852,000 |
| 2 Business combination involving entities under common control | - | (727,570,000) | - | - | - | (727,570,000) | - | (727,570,000) |
| (III) Profit distribution | | | | | | | | |
| 1 Appropriation of surplus reserves | - | - | - | 37,598,531 | (37,598,531) | - | - | - |
| 2 Distribution to shareholders | - | - | - | - | (198,732,240) | (198,732,240) | (62,875,400) | (261,607,640) |
| (IV) Specialised reserves | | | | | | | | |
| 1 Appropriation during the year | - | - | 4,149,815 | - | - | 4,149,815 | 4,209,504 | 8,359,319 |
| 2 Utilisation during the period | - | - | (1,021,940) | - | - | (1,021,940) | (1,064,056) | (2,085,996) |
| IV. Closing balances for the year | 1,656,102,000 | 503,968,616 | 12,176,671 | 173,993,461 | 933,904,013 | 3,280,144,761 | 891,762,849 | 4,171,907,610 |

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

2021 Unit: RMB

| | Note VI | 2021 | 2020 |
|---|---------|---------------|---------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sale of goods or rendering of services | | 2,520,055,651 | 1,836,341,082 |
| Refund of taxes and surcharges | | 165,686 | 68,343 |
| Other cash received relating to operating activities | | 39,818,916 | 514,191,008 |
| Subtotal of cash inflows from operating activities | | 2,560,040,253 | 2,350,600,433 |
| Cash paid for purchase of goods and receipt of services | | 1,092,876,460 | 821,650,579 |
| Cash paid to and on behalf of employees | | 322,023,963 | 234,909,783 |
| Payments of taxes and surcharges | | 232,863,427 | 198,131,308 |
| Other cash paid relating to operating activities | | 97,891,463 | 51,864,775 |
| Subtotal of cash outflows from operating activities | | 1,745,655,313 | 1,306,556,445 |
| Net cash flows from operating activities | 43 | 814,384,940 | 1,044,043,988 |
| II. Cash flows from investing activities: | | | |
| Cash received from disposal of investments | | 1,036,072,925 | 259,521,648 |
| Cash received from investment gains | | 32,970,210 | 900,882 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 14,824,445 | 2,905,105 |
| Subtotal of cash inflows from investing activities | | 1,083,867,580 | 263,327,635 |
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets | | 67,449,745 | 56,879,808 |
| Cash paid to acquire investments | | 1,053,450,700 | 15,269,400 |
| Net cash paid for acquisition of subsidiaries and other operating entities | | — | 47,182,900 |
| Subtotal of cash outflows from investing activities | | 1,120,900,445 | 119,332,108 |
| Net cash flows from investing activities | | (37,032,865) | 143,995,527 |

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

2021 Unit: RMB

| | Note VI | 2021 | 2020 |
|--|---------|----------------------|---------------|
| III. Cash flows from financing activities: | | | |
| Cash received from absorption of investments | | – | 44,852,000 |
| Including: Cash received by subsidiaries from investment of non-controlling shareholders | | – | 44,852,000 |
| Cash received from borrowings | | – | 1,643,000,000 |
| Subtotal of cash inflows from financing activities | | – | 1,687,852,000 |
| Cash paid for repayment of debts | | 214,500,000 | 1,430,030,670 |
| Cash paid for distribution of dividends, profits or repayment of interests | | 385,054,784 | 367,714,007 |
| Including: Dividends and profits paid to non-controlling shareholders by subsidiaries | | 50,645,319 | 46,213,348 |
| Other cash paid relating to financing activities | | 9,328,437 | 733,788,547 |
| Subtotal of cash outflows from financing activities | | 608,883,221 | 2,531,533,224 |
| Net cash flows from financing activities | | (608,883,221) | (843,681,224) |
| IV. Net increase in cash and cash equivalents | | 168,468,854 | 344,358,291 |
| Add: Balance of cash and cash equivalents at the beginning of the year | | 1,631,650,352 | 1,287,292,061 |
| V. Balance of cash and cash equivalents at the end of the year | 44 | 1,800,119,206 | 1,631,650,352 |

The accompanying notes to financial statements form an integral part of these financial statements

BALANCE SHEET OF THE COMPANY

31 December 2021 Unit: RMB

| ASSETS | Note XVII | 31 December 2021 | 31 December 2020 |
|------------------------------------|-----------|------------------|------------------|
| Current assets | | | |
| Currency funds | | 1,510,358,309 | 1,377,223,775 |
| Accounts receivable | 1 | 10,434,190 | 11,326,299 |
| Prepayments | | 1,101,148 | 382,250 |
| Other receivables | 2 | 161,291,031 | 99,656,504 |
| Other current assets | | 1,119,931 | 150,876 |
| Total current assets | | 1,684,304,609 | 1,488,739,704 |
| Non-current assets | | | |
| Long-term equity investments | 3 | 2,864,369,288 | 2,852,869,679 |
| Other non-current financial assets | | 13,450,700 | — |
| Fixed assets | | 29,890,313 | 34,358,654 |
| Construction in progress | | 541,032 | 486,852 |
| Right-of-use assets | | 14,218,330 | 17,560,229 |
| Intangible assets | | 498,886,210 | 533,217,258 |
| Deferred tax assets | | 2,483,916 | 2,505,378 |
| Other non-current assets | | — | 15,270,900 |
| Total non-current assets | | 3,423,839,789 | 3,456,268,950 |
| Total assets | | 5,108,144,398 | 4,945,008,654 |

The accompanying notes to financial statements form an integral part of these financial statements

BALANCE SHEET OF THE COMPANY

31 December 2021 Unit: RMB

| LIABILITIES AND EQUITY | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Current liabilities | | |
| Accounts payable | 35,446,655 | 65,633,399 |
| Employee benefits payable | 12,768,500 | 8,126,529 |
| Taxes and surcharges payable | 3,960,480 | 6,936,218 |
| Other payables | 1,132,527,454 | 1,029,375,222 |
| Non-current liabilities due within one year | 117,152,299 | 111,795,792 |
| Total current liabilities | 1,301,855,388 | 1,221,867,160 |
| Non-current liabilities | | |
| Long-term borrowings | 333,000,000 | 445,000,000 |
| Lease liabilities | 11,002,702 | 13,915,504 |
| Other non-current liabilities | 14,614,219 | 14,949,061 |
| Total non-current liabilities | 358,616,921 | 473,864,565 |
| Total liabilities | 1,660,472,309 | 1,695,731,725 |
| Equity | | |
| Share capital | 1,656,102,000 | 1,656,102,000 |
| Capital reserves | 670,065,375 | 670,065,375 |
| Surplus reserves | 213,889,871 | 173,993,461 |
| Unappropriated profit | 907,614,843 | 749,116,093 |
| Total equity | 3,447,672,089 | 3,249,276,929 |
| Total liabilities and equity | 5,108,144,398 | 4,945,008,654 |

The accompanying notes to financial statements form an integral part of these financial statements

INCOME STATEMENT OF THE COMPANY

2021 Unit: RMB

| | Note XVII | 2021 | 2020 |
|---|-----------|-------------|-------------|
| Revenue | 4 | 419,677,711 | 268,919,397 |
| Less: Cost of sales | | 179,994,689 | 135,055,637 |
| Taxes and surcharges | | 1,865,261 | 1,582,938 |
| Administrative expenses | | 42,307,096 | 26,458,535 |
| Finance expenses | | 4,455,205 | (4,360) |
| Including: Interest expenses | | 41,212,817 | 22,138,102 |
| Interest income | | 37,909,300 | 22,389,078 |
| Add: Other income | | — | 132,995 |
| Investment income | | 229,419,082 | 273,919,595 |
| Including: Income from investments in an associate | | 21,114,717 | 12,154,330 |
| Gains from disposal of assets | | — | 13,547 |
| Operating profit | | 420,474,542 | 379,892,784 |
| Add: Non-operating income | | 11,007,857 | 8,683,334 |
| Less: Non-operating expenses | | 139,466 | 80,636 |
| Total profit | | 431,342,933 | 388,495,482 |
| Less: Income tax expenses | | 32,559,431 | 19,604,594 |
| Net profit | | 398,783,502 | 368,890,888 |
| Including: Net profit from continuing operations | | 398,783,502 | 368,890,888 |
| Total comprehensive income | | 398,783,502 | 368,890,888 |

The accompanying notes to financial statements form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

2021 Unit: RMB

2021

| | Share capital | Capital reserves | Surplus reserves | Unappropriated profit | Total equity |
|--|---------------|------------------|------------------|-----------------------|---------------|
| I. Closing balances for the preceding year and opening balances for the current year | 1,656,102,000 | 670,065,375 | 173,993,461 | 749,116,093 | 3,249,276,929 |
| II. Changes in the current year | | | | | |
| (I) Total comprehensive income | – | – | – | 398,783,502 | 398,783,502 |
| (II) Profit distribution | | | | | |
| 1 Appropriation of surplus reserves | – | – | 39,896,410 | (39,896,410) | – |
| 2 Distribution to shareholders | – | – | – | (200,388,342) | (200,388,342) |
| III. Closing balances for the year | 1,656,102,000 | 670,065,375 | 213,889,871 | 907,614,843 | 3,447,672,089 |

2020

| | Share capital | Capital reserves | Surplus reserves | Unappropriated profit | Total equity |
|--|---------------|------------------|------------------|-----------------------|---------------|
| I. Closing balances for the preceding year and opening balances for the current year | 1,656,102,000 | 825,080,292 | 136,394,930 | 616,555,976 | 3,234,133,198 |
| II. Changes in the current year | | | | | |
| (I) Total comprehensive income | – | – | – | 368,890,888 | 368,890,888 |
| (II) Shareholder contribution and capital reduction | | | | | |
| 1 Business combination involving entities under common control | – | (155,014,917) | – | – | (155,014,917) |
| (III) Profit distribution | | | | | |
| 1 Appropriation of surplus reserves | – | – | 37,598,531 | (37,598,531) | – |
| 2 Distribution to shareholders | – | – | – | (198,732,240) | (198,732,240) |
| III. Closing balances for the year | 1,656,102,000 | 670,065,375 | 173,993,461 | 749,116,093 | 3,249,276,929 |

The accompanying notes to financial statements form an integral part of these financial statements

STATEMENT OF CASH FLOWS OF THE COMPANY

2021 Unit: RMB

| | 2021 | 2020 |
|---|---------------|---------------|
| I. Cash flows from operating activities: | | |
| Cash received from sale of goods or rendering of services | 462,024,809 | 228,563,882 |
| Refund of taxes and surcharges | 135,644 | 9,154 |
| Other cash received relating to operating activities | 26,460,085 | 166,060,206 |
| Subtotal of cash inflows from operating activities | 488,620,538 | 394,633,242 |
| Cash paid for purchase of goods and receipt of services | 145,270,339 | 44,481,802 |
| Cash paid to and on behalf of employees | 66,346,901 | 57,134,018 |
| Payments of taxes and surcharges | 47,872,665 | 35,558,062 |
| Other cash paid relating to operating activities | 110,801,304 | 817,967 |
| Subtotal of cash outflows from operating activities | 370,291,209 | 137,991,849 |
| Net cash flows from operating activities | 118,329,329 | 256,641,393 |
| II. Cash flows from investing activities: | | |
| Cash received from investment gains | 234,733,065 | 261,765,264 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 1,929 | 30,830 |
| Cash received from disposal of investments | 1,036,072,925 | 179,521,647 |
| Other cash received relating to investing activities | 3,940,648 | 349,730,352 |
| Subtotal of cash inflows from investing activities | 1,274,748,567 | 791,048,093 |
| Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets | 5,661,801 | 838,938 |
| Cash paid to acquire investments | 993,450,700 | 15,269,400 |
| Cash paid for acquisition of subsidiaries and other operating entities | – | 827,570,000 |
| Other cash paid relating to investing activities | 60,000,000 | 433,750,600 |
| Subtotal of cash outflows from investing activities | 1,059,112,501 | 1,277,428,938 |
| Net cash flows from investing activities | 215,636,066 | (486,380,845) |

The accompanying notes to financial statements form an integral part of these financial statements

STATEMENT OF CASH FLOWS OF THE COMPANY

2021 Unit: RMB

| | 2021 | 2020 |
|--|----------------------|---------------|
| III. Cash flows from financing activities: | | |
| Cash received from acquisition of borrowings | — | 360,000,000 |
| Other cash received relating to financing activities | 191,502,270 | 1,086,607,713 |
| Subtotal of cash inflows from financing activities | 191,502,270 | 1,446,607,713 |
| Cash paid for repayment of debts | 107,000,000 | 23,000,000 |
| Cash paid for distribution of dividends, profits or repayment of interests | 241,089,806 | 214,089,825 |
| Other cash paid relating to financing activities | 3,441,300 | 200,184,351 |
| Subtotal of cash outflows from financing activities | 351,531,106 | 437,274,176 |
| Net cash flows from financing activities | (160,028,836) | 1,009,333,537 |
| IV. Net increase in cash and cash equivalents | 173,936,559 | 779,594,085 |
| Add: Balance of cash and cash equivalents at the beginning of the year | 1,169,188,077 | 389,593,992 |
| V. Balance of cash and cash equivalents at the end of the year | 1,343,124,636 | 1,169,188,077 |

The accompanying notes to financial statements form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

I. BASIC INFORMATION

Chengdu Expressway Co., Ltd. (the "Company"), formerly known as Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限公司), is a company with limited liability registered in Sichuan, the People's Republic of China and was established on 25 August 1998 with perpetual term of operation. On 20 December 2016, the Company completed reorganisation as a joint stock company and changed its name to Chengdu Expressway Co., Ltd. The H shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The registered address of the Company is located at 9th Floor, Youyi Data Building, No. 28 Jingyuan East Road, Deyuan town (Jingrong town), Pidu District, Chengdu, Sichuan, and the headquarters of the Company is located at 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan.

The Company and its subsidiaries (the "Group") are principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province, and also conduct operation of refined oil and compressed natural gas.

The parent company of the Group is Chengdu Expressway Construction and Development Co., Ltd. ("Chengdu Expressway Construction") which is established in the People's Republic of China, and the ultimate parent company of the Group is Chengdu Communications Investment Group Co., Ltd. ("Chengdu Communications Investment") which is established in the People's Republic of China.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company used to adopt the International Financial Reporting Standards in preparing financial statements for information disclosure on the Hong Kong Stock Exchange. In order to improve auditing efficiency, save auditing fee and reduce information disclosure discrepancy, in accordance with the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong, which was published by the Hong Kong Stock Exchange in December 2010, commencing from the current financial year, the Company determined to prepare the financial statements in accordance with Accounting Standards for Business Enterprises and the relevant regulations issued by the Ministry of Finance of the People's Republic of China ("PRC Accounting Standards") for information disclosure on the Hong Kong Stock Exchange.*

The financial statements have been prepared on a going concern basis.

The financial statements are prepared under the historical cost convention, except for certain financial instruments. In case of asset impairment, corresponding provisions for impairment shall be made according to relevant rules.

Notes marked with * in these financial statements are new disclosures or more detailed disclosures made pursuant to the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements comply with the Accounting Standards for Business Enterprises, and give a true and complete view of the financial position of the Company and the Group as at 31 December 2021 and their financial performance and cash flows for 2021.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information of the Company and the Group for 2021 was prepared based on the following significant accounting policies and estimates under Accounting Standards for Business Enterprises.

1. Accounting period

The accounting year of the Group is a calendar year, i.e., from 1 January to 31 December of each year.

2. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan unless otherwise stated.

3. Business combination

Business combination under common control

A business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. For a business combination under common control, the party that, at the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while other enterprise participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital premium under capital reserves. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

4. Consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company).

In the preparation of the consolidated financial statements, the accounting policies and accounting periods of the Company and subsidiaries are consistent in the preparation of the consolidated financial statements. All intra-group assets, liabilities, equities, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full of consolidation.

Where the loss for the current period attributable to non-controlling interests of a subsidiary exceeds the non-controlling interests of the opening balance of equity of the subsidiary, the excess shall still be allocated against non-controlling interests.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

The Group reassess whether or not it controls an investee if any change in facts and circumstances indicate that there are changes to one or more of elements of the three elements of control.

A change in the non-controlling interests, without a loss of control, is accounted for as an equity transaction.

5. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

6. Foreign currency transactions and foreign currency translations

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are recorded, on initial recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated at the spot exchange rates rolling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss in, with the exception for those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

Foreign currency cash flows are translated using the spot exchange rate prevailing on the date on which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

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

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

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

7. Financial instruments *(continued)*

Recognition and derecognition of financial instruments (continued)

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

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at fair value through profit or loss and financial assets at amortised cost.

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Financial instruments (continued)

Classification and measurement of financial assets (continued)

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

Debt investments measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest method. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Except for the financial assets at amortised cost, other financial assets are classified as financial assets measured at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period.

At initial recognition, the Group designated the investment in non-trading equity instruments as financial assets at fair value through profit or loss, and presented as other non-current financial assets. Upon designation, such category of financial assets cannot be reclassified as other category of financial assets; nor can other financial assets be re-designated as financial assets at fair value through profit or loss after initial recognition.

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities, and the related transaction costs are included in the initial recognition amounts.

Such financial liabilities are subsequently measured at amortised cost using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

7. Financial instruments *(continued)*

Impairment of financial instruments

Based on the expected credit losses ("ECLs"), the Group recognises an allowance for ECLs for the financial assets measured at amortised cost.

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

Except for financial assets which apply the simplified approach as mentioned above, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortised cost and the effective interest rate.

The Group assesses whether the credit risk on the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. If the credit risk of financial instruments is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition.

The disclosure of the criteria for judging significant increase in credit risk, the definition of credit-impaired assets, and the assumption of ECLs measurement, please refer to Note VIII.2.

When there are one or more events that have adverse effects on the expected future cash flows of a financial asset, the financial asset is credit-impaired.

When the Group no longer reasonably expects to collect all or part of the contractual cash flows of the financial asset, the Group directly writes down the carrying amount of the financial assets.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

8. Inventories

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase. The actual cost of inventories transferred out is assigned by using weighted average method.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, in which case the net realisable value of inventories become higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down, and is recognised in current profit or loss.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of inventories is made on a category basis.

9. Non-current assets held for sale

A non-current asset is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuous use. Non-current assets or disposal groups are classified as held for sale only when the following conditions are satisfied: according to the practice of disposing this type of assets in similar transactions, the non-current asset or disposal group is available for immediate sale in its present condition; the sale will likely occur as the enterprise has made a resolution in respect of a disposal plan and obtained a firm purchase commitment, and the sale is expected to be completed within one year (and approval has been obtained by the enterprise where approval of the sale is required from relevant competent authorities or regulatory bodies in accordance with relevant regulations). If sale of any investment in a subsidiary will result in the loss of control over the respective subsidiary, whether or not any part of the equity investments is retained after the sale, the investment in subsidiary is classified as held for sale in the respective financial statements, and all assets and liabilities of the subsidiary shall be classified as held for sale in the consolidated financial statements.

For a non-current asset classified as held for sale (other than financial assets and deferred tax assets), its carrying amount is written down to its fair value less costs to sell if its carrying amount is higher than its fair value less costs to sell. The reduced amount is recognised as asset impairment loss and charged to current profit or loss, with provision made for the impairment of the held-for-sale assets. No depreciation or amortisation is provided for a non-current asset in the non-current assets held for sale.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

10. Long-term equity investments

Long-term equity investments consist of equity investments in subsidiaries, a joint venture and associates.

A long-term equity investment is initially measured at its initial investment cost on acquisition. For a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the carrying amount of the absorbing party's share of the owner's equity of the party being absorbed on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted against capital reserve (where the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). Other comprehensive income prior to the date of the merger is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss for the current period upon such disposal, of which the investment which remains long-term equity investment upon the disposal is transferred in proportion, and the investment which is converted into financial instruments upon the disposal is transferred in full. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: if acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; and if acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

For a long-term equity investment where the Company can exercise control over the investee, the long-term equity investment is accounted for using the cost method in the Company's separate financial statements. Control refers to having the power over the investee, the entitlement to variable returns through the participation in the relevant activities of the investee, and the ability to affect the amount of returns by using its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. If investment is increased or withdrawn, the cost of long-term equity investment shall be adjusted. Cash dividends or profit distributions declared by the investee are recognised as investment income for the current period.

The equity method is adopted when the Group holds joint control, or exercises significant influence on the investee. Joint control is the relevant agreed sharing of control over an arrangement, and relevant activities of such arrangement shall be decided upon the unanimous consent of the parties sharing control. Significant influence is the power to participate in decision making of the financial and operating policies of the investee, but without the power to control or jointly control with other parties the formulation of those policies.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

10. Long-term equity investments *(continued)*

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, long-term equity investment is measured at the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises, upon acquisition of the long-term equity investment, its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits or losses, except for those from dispensing or selling businesses constituted by assets, based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investing party according to its entitled ratio (but asset impairment losses arising from internal transactions shall be recognised in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profit or loss, other comprehensive income and profit distributions) and includes the corresponding adjustments in the shareholders' equity.

On disposal of a long-term investment, the difference between the carrying amount of the investment and the sales proceeds actually received is recognised in profit or loss for the current period. For long-term equity investments accounted for using the equity method, where the equity method is no longer adopted, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in full for the current period; where the equity method is still adopted, the relevant other comprehensive income previously accounted for using the equity method is accounted for on the same basis as that used to account for direct disposal of such assets or liabilities by the investee and transferred to profit or loss in proportion for the current period, and shareholders' equity recognised as a result of changes in other shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution is transferred to profit or loss in corresponding proportion for the current period.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

11. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use. Depreciation is calculated using the straight-line method. The useful lives, estimated residual value rates and annual depreciation rates of each category of fixed assets are as follows:

| | Useful life | Estimated net residual rate | Annual depreciation rate |
|-----------------------------------|-------------|-----------------------------|--------------------------|
| Buildings | 10-40 years | 5% | 2.38%-9.50% |
| Security facilities | 5-15 years | 5% | 6.33%-19.00% |
| Supervising equipment | 5-15 years | 5% | 6.33%-19.00% |
| Toll collection facilities | 3-10 years | 5% | 3.17%-31.67% |
| Petrol and gas station facilities | 3-12 years | 5% | 7.92%-31.67% |
| Motor vehicles | 5-10 years | 5% | 9.50%-19.00% |

The Group reviews the useful life, estimated net residual value of a fixed asset, and the depreciation method applied at least at each year end, and makes adjustments if necessary.

12. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalised before the construction is ready for its intended use and other relevant expenses.

Construction in progress is transferred to fixed assets or intangible assets when the asset is ready for its intended use.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

13. Borrowing costs

Borrowing costs are interests and other expenses arising from borrowings of the Group, including borrowing interest, amortisation of discounts or premiums and ancillary expenses.

All the borrowing costs that are directly attributable to construction of all qualifying assets are capitalised and other borrowing costs are recognised as an expense. A qualifying asset is defined as a fixed asset and intangible asset that necessarily takes a substantial period of time to get ready for its intended use.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) Expenditures for the assets are incurred;
- (2) Borrowing costs are incurred; and
- (3) activities that are necessary to acquire or construct the asset for its intended use have been undertaken.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed gets ready for its intended use. Any borrowing costs subsequently incurred are recognised in profit or loss.

Within the capitalisation period, the amounts of capitalised borrowing costs for each accounting period are determined by the following methods:

- (1) For specific borrowings, the borrowing costs eligible for capitalisation are the actual interest expenses incurred during the current period after deducting any temporary interest or investment income;
- (2) For general borrowings, the borrowing costs eligible for capitalisation are determined by multiplying the weighted average of capital expenditure that exceeds the specific borrowings and weighted average interest rate of the general borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition or construction is resumed.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

14. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value at the date of acquisition.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

| | Useful life |
|--|-------------|
| Land use rights | 40 years |
| Service concession rights of expressways | 24-30 years |
| Software | 5 years |

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

| Toll expressway | Origin/destination | Length (km) | Service concession period | Term of the service concession rights (year) |
|----------------------------|--|-------------|-------------------------------|--|
| Chengguan Expressway | Chengdu Hi-Tech Zone/ Dujiangyan | 40.44 | July 2000 – July 2030 | 30 |
| Chengpeng Expressway | Qinyang District, Chengdu/Qionglai | 21.32 | November 2004 – October 2033 | 29 |
| Chengwenqiong Expressway | Xindu District, Chengdu/ Pengzhou | 65.60 | January 2005 – January 2035 | 30 |
| Chengdu Airport Expressway | Chengdu South Railway Station Viauct/Chengdu Shuangliu Airport Terminal T1 | 11.98 | July 1999 – December 2024 | 24 |
| Qiongming Expressway | Qionglai/Mingshan | 52.68 | November 2010 – November 2038 | 28 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

14. Intangible assets *(continued)*

Land use rights that are acquired by the Group through grant, assignment or transfer are generally accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights, are accounted for as intangible assets and fixed assets, respectively.

Service concession rights of expressways represent the concession rights granted by the government to the Group to participate in expressway construction via Build-Operate-Transfer (BOT) approach, and to provide follow-up business services and charge the public for certain periods after the construction is completed. Upon maturity of service concession rights, the initial construction cost of the roads and fixtures and related land use rights required to be returned to the government by the Group is accounted for as the cost of the service concession rights. Security facilities, supervising equipment and toll collection facilities that do not need to be returned to the government on maturity of the service concession rights shall be accounted for as fixed assets. The amortisation method of service concession rights of expressways is the traffic flow method, that is, the amortisation is calculated according to the ratio of the actual traffic flow in a specific period to the predicted total traffic flow within the operating period of expressways.

An intangible asset with a finite useful life except for service concession rights of expressways is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and the amortisation method at least at each year end and makes adjustment if necessary.

15. Long-term prepaid expenses

Long-term prepaid expenses include the expenditures for improvements to right-of-use assets, and other expenditures that has been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

16. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset group to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, compares the recoverable amount with the carrying amount and recognises impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment. The carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss shall firstly charge against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then charge against the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, on a pro rata basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

17. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits given by the Group to an employee's spouses, children, dependents, and families of deceased employees and other beneficiaries are also employee benefits.

Short-term benefits

Short-term benefits include salary, bonuses, allowances and subsidies, employee welfare, medical insurance, work-related injury insurance, maternity insurance, housing provident fund, funds for work union and education subsidies of employees, short-term paid leave, etc. In the accounting period in which services are rendered by employees, the actual amount of short-term benefits incurred is recognised as liabilities and charged to profit or loss for the current period or cost of underlying assets, of which non-monetary benefits are measured at fair value.

Post-employment benefits (defined contribution plan)

The Group makes monthly contributions to the pension benefit plan managed by the mainland Chinese government (i.e. pension insurance). The Group is required to make contributions according to a specific proportion of the salary stipulated by the government. The government undertakes to assume the responsibility for paying pension benefits to all existing and future retired employees according to the plan, while the Group did not further assume the post-employment benefit responsibility beyond the contributions. In addition, the Group also participated in an additional employee retirement benefit plan (i.e. enterprise annuity). The Group pays an enterprise annuity to each qualified employee every month according to a certain percentage of the average salary of employees in the previous year.

The Group's contributions to the above defined contribution benefit plan is recorded in the asset cost or current profit or loss during the period in which they are incurred. The Group's contributions to the defined contribution plan for its employees are fully and immediately vested at the time of contribution, and may not be offset by the contributions confiscated before being fully vested due to termination of the plan with the employees.

Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring and involves the payment of termination costs.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

18. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations not involving entities under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed on each balance sheet date. If there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

19. Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

- (1) The Group's toll income from the operations of expressways is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow to the Group;
- (2) The Group's income from energy segment mainly includes the sales of refined oil products at gas stations and income from convenience stores, and the income is recognised when the Group's performance obligations have been completed and the control of corresponding commodities has been transferred to customers;
- (3) The construction revenue in respect of service concession rights shall be deemed as the performance obligation performed by the Group within a certain period of time, and the income shall be recognised according to the performance progress, unless the performance progress cannot be reasonably determined. According to the input method, the Group determines the performance progress of providing services based on the costs incurred;
- (4) To derive income from entrusted operation and management services, the Group shall fulfill its performance obligations in the period of providing operation and management services, and the contract settlement price shall be subject to the contractual agreement.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

19. Revenue from contracts with customers (continued)

Variable consideration

There exist performance assessment arrangements under certain contracts between the Group and its customers, which results in a variable consideration. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated and recognised revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.

Principal/agent

The Group determines whether the Group is a principal or an agent when engaging in a transaction based on whether it has control over the goods or services before transferring them to the customer. If the Group is able to control the goods or services before transferring them to the customer, the Group is the principal and recognises revenue based on the total consideration received or receivable; otherwise, the Group is the agent and recognises revenue based on the amount of the commission or fee it expects to be entitled to receive, which should be determined as the net amount of the total consideration received or receivable less amounts payable to other related parties, or based on the predetermined amount or proportion of the commission. The Group acts as a principal in wholesale of asphalt and certain diesel oil and recognises revenue therefrom on a net basis.

20. Contract liabilities

The Group presents contract liabilities in the balance sheet based on the performance obligations.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer, such as an amount of consideration that an entity has received before the transfer of the promised goods or services.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

21. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted as follows: (a) if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and offset the related costs over the periods in which the related costs, expenses or losses are recognised; (b) if the grant is a compensation for related costs, expenses or losses already incurred, it is immediately offset the related costs or expenses of the current period. A government grant related to an asset shall offset the carrying amounts of relevant assets.

22. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss, or recognised directly in equity if it arises from adjustments for goodwill from a business combination or relates to a transaction or event which is recognised directly in equity.

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by the tax authority calculated according to related tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined according to related tax laws for tax purposes but which have not been recognised as assets and liabilities, deferred taxes are provided using the balance sheet liability method.

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

22. Income tax (continued)

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of deductible tax losses and tax credits can be utilised, except:

- (1) Where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected;
- (2) In respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

23. Leases

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

Right-of-use assets

The Group's right-of-use assets mainly include buildings and land use rights acquired through leasing.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

23. Leases *(continued)*

As lessee (continued)

Right-of-use assets (continued)

At the commencement date of the lease, the Group recognises its right to use the leased assets over the lease term as a right-of-use asset. The cost of the right-of-use asset comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; any initial direct cost incurred; and an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option is evaluated. When the results or actual exercise rights change, the Group re-measures the lease liability based on the present value of the changed lease payments.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

23. Leases *(continued)*

As lessee (continued)

Lease modification

The lease modifications refer to the change of lease scope, lease consideration, and lease term outside the original contract terms, including the addition or termination of the use right of one or more lease assets. It also includes the extension or shortening of the lease term stipulated in the contract.

If the lease modifications have met the following conditions simultaneously, the Group will account for the lease modifications as a separate lease:

- (1) The lease modifications expand the scope of the lease by adding the rights of use of one or more leased assets; and
- (2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability on the effective date of the lease modification by discounting the revised lease payments using a revised discount rate. When calculating the present value of the lease payment after the modification, revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The Group distinguishes between the following cases for accounting treatment in view of the above effects of the adjustment of lease liabilities:

- (1) If the lease modifications result in a narrower lease scope or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the partial termination or full termination of the lease. The Group recognises the related gains or losses that partially terminate or completely terminate the leases into the current profits and losses; and
- (2) Making a corresponding adjustment to the book value of right-of-use asset for all other lease modifications.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

23. Leases (continued)

As lessee (continued)

Short-term lease and low-value lease

The Group will, on the commencement date of the lease term, recognise lease with a lease term not more than 12 months and lease that does not include the purchase option as a short-term lease; and recognise lease of not more than RMB35,000 when the single leased asset is a new asset as a low value asset lease. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases such as buildings and low-value leases such as trees and flowers, which are included in the related asset cost or current profit or loss on a straight-line basis over the lease term.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred.

24. Safety production funds

Safety production funds provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialised reserves. They are treated differently when being utilised: the specialised reserves are offset against for those attributable to the expense nature; the cumulative expenditures are recognised as a fixed asset for those attributable to the fixed asset nature when the working condition for the intended use is reached, and at the same time, specialised reserves are offset against with the full depreciation of the fixed asset, at the same amount.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

25. Fair value measurement

The Group measures other non-current financial assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

For the assets measured or disclosed at fair value in the financial statements, the lowest level input that is significantly meaningful to the entire fair value measurement will be used to confirm the fair value hierarchy level: Level 1 input value is the quoted price (unadjusted) obtained in an active market for the same asset on the measurement date. Level 2 input value is the direct or indirect observable input value for the relevant asset other than the Level 1 input value. Level 3 input value is the unobservable input value for the relevant asset.

For assets that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation on each balance sheet date.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

26. Significant accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Impairment of non-current assets other than financial assets (other than goodwill)

The Group assesses whether there are any indications of impairment for all non-current assets other than financial assets at the balance sheet date. Non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from it. The calculation of the fair value less costs of disposal based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. When the calculations of the present value of the future cash flows expected to be derived from an asset or asset group are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

26. Significant accounting estimates *(continued)*

Impairment of goodwill

The Group carries out tests for impairment of goodwill on an annual basis, which entails estimation of the present value of future cash flows of the asset groups or sets of asset groups to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to estimate the cash flows generated by the future asset groups or sets of asset groups, and select the appropriate discount rate to determine the present value of future cash flows. For details, please refer to Note VI.14

Amortisation of service concession rights of expressways

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

Recognition of expressway maintenance and resurfacing obligations

The maintenance and resurfacing obligations of the expressways are recognised when: the Group has a present obligation; fulfilling the obligation will probably lead to the outflow of economic benefits; and the amount of the obligation can be measured reliably. The outflow of economic benefits probably to result from the performance of such obligation is determined according to the number of major maintenance and resurfacing operations and the expected cost of the Group during the operation of expressways with concession rights. During the concession period, the Group is required to provide maintenance and resurfacing services according to the requirements of the grantor of concession rights, while the standards and specific time of maintenance and resurfacing shall be determined by the grantor of concession rights based on the actual urban economic development and changes in subsequent laws and regulations. In actual practice, the Group needs to provide further services according to the changes of subsequent laws and regulations and the maintenance plans and standards approved by the government. Therefore, it is impossible to reasonably estimate the cost of providing maintenance and resurfacing services in the future at the initial stage of obtaining the concession rights, and the above expenses are included in the cost of principal business for the current period when they are actually incurred.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

26. Significant accounting estimates *(continued)*

PRC Corporate Income Tax ("CIT") and deferred tax assets

The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences are realised.

Deferred tax assets are recognised for all unused deductible tax losses to the extent that it is probable that taxable profit will be available against which the deductible tax losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of unlisted equity investment

Fair value of unlisted equity investment at fair value through profit or loss is estimated using the market-based method. The assumptions on which it is based are unobservable input. The estimation requires the management to determine comparable public companies based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable company, such as price to book ("P/B") or price to earnings ("P/E"), etc. Such multiples are measured and arrived at based on the relevant data of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the profit or asset of the non-listed equity investment to arrive at its fair value. For details, please refer to Note IX.2.

27. Changes in accounting policies

Accounting treatment in relation to changes in contracts due to benchmark interest rate reform

According to Interpretation of Accounting Standards for Business Enterprises No. 14, for contractual cash flows from financial assets or financial liabilities accounted for using the effective interest rate method of which the basis of determination has changed only as a direct consequence of the interest rate benchmark reform, and the basis of determination is economically equivalent before and after such change, the Group will recalculate the effective interest rate based on future cash flows after such change, and use it as the basis of subsequent measurements. The Group has adopted the foregoing requirements for accounting treatment commencing from 1 January 2021. According to the transitional provisions, information for the comparative periods will not be adjusted, and the difference arising from initial adoption of such requirements and current prevailing standards will be recorded in the opening retained earnings or other comprehensive income. Change of the accounting policy does not have an impact on the financial statements of the Group and the Company for the current year.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

IV. TAXES

Major taxes and respective tax rates of the Group for the year are set out below:

| | | |
|---------------------------------------|---|---|
| Value-added tax (VAT) | – | VAT is calculated at the rate of 3% for toll income, 13% for sales income of refined oil products, convenience stores and commodities, 6% for operation and management services, and 5% for rental and other income. Small-sized taxpayers shall pay VAT at 3% of taxable income. |
| City maintenance and construction tax | – | It is levied at 7% on the turnover taxes paid. |
| Corporate income tax | – | Corporate income tax is levied at 15% and 25% on the taxable profit. |

Pursuant to the Circular of Extending the Period of Western Development Strategies Preferential Tax Rate (Ann of Ministry of Finance, State Taxation Administration and National Development and Reform Commission [2020] No. 23), the Company and its subsidiaries, including Chengdu Chengwenqiong Expressway Co., Ltd. ("Chengwenqiong Expressway Company"), Chengdu Airport Expressway Co., Ltd. ("Chengdu Airport Expressway Company"), Sichuan Chengming Expressway Co., Ltd. ("Chengming Expressway Company"), Chengdu Expressway Operation Management Co., Ltd. ("Operation Company") and Chengdu Chengpeng Expressway Co., Ltd. ("Chengpeng Expressway Company") shall pay corporate income tax at the preferential tax rate of 15%. The current year is subject to the income tax rate of 15%.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

V. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Details of the subsidiaries of the Company are as follows:

| | Place of principal business/ registration | Nature of business | Registered capital | Proportion of shareholding (%) Direct Indirect | Voting rights Proportion (%) | Remark |
|---|---|--|-----------------------|--|------------------------------------|--------|
| Chengwenqiong Expressway Company | Chengdu | Management and operation of expressway | 554,490,000 | 100 | 100 | |
| Chengpeng Expressway Company | Chengdu | Management and operation of expressway | 384,620,000 | 100 | 100 | |
| Chengdu Airport Expressway Company | Chengdu | Management and operation of expressway | 153,750,000 | 55 | 55 | |
| Chengming Expressway Company | Chengdu | Management and operation of expressway | 100,000,000 | 51 | 51 | |
| Chengdu Expressway Zhenxing Development Co., Ltd. ("Zhenxing Company") | Chengdu | Management and operation of expressway service areas | 100,000,000 | 80 | 80 | |
| Operation Company | Chengdu | Expressway management | 20,000,000 | 100 | 100 | |
| Chengdu Energy Development Co., Ltd. ("Energy Development Company") | Chengdu | Petrol station operation and investment | 381,000,000 | 94.49 | 94.49 | Note 1 |
| Chengdu Communications Investment Energy Development Co., Ltd. ("Communications Investment Energy") | Chengdu | Petrol station operation and investment | 127,305,500 | 55 | 55 | Note 1 |
| Chengdu Zhongyou Energy Co., Ltd. ("Zhongyou Energy") | Chengdu | Petrol station operation and investment | 437,335,000 | 51 | 51 | Note 1 |
| Chengdu Communications Investment Energy Operation and Management Co., Ltd. ("Energy Operation") | Chengdu | Petrol station operation and investment | 20,000,000 | 100 | 100 | Note 1 |

Note 1: Equity interests in Communications Investment Energy, Zhongyou Energy and Energy Operation are held through Energy Development Company. Although the Group holds 48.19% equity interests in Zhongyou Energy, the Group is still able to exercise control over Zhongyou Energy through its control over Energy Development Company.

Energy Development Company is a joint stock company incorporated under the PRC laws and the other subsidiaries are limited liability companies registered and established according to PRC laws, and the places of registration and operation of all the subsidiaries are located in the PRC.

There is no inconsistency between the shareholding proportion and voting rights proportion in each subsidiary of the Company.

The consolidation scope of the consolidated financial statements is the same as that of the previous year.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

V. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Significant non-controlling interests

Subsidiaries with significant non-controlling interests are set out below:

2021

| | Shareholding proportion of non-controlling interests | Profit and loss attributable to non-controlling interests | Dividends paid to non-controlling interests | Accumulated non-controlling interests as at the end of the year |
|---------------------------------------|---|--|--|---|
| Chengdu Airport Expressway Company | 45.00% | 30,858,226 | 29,671,072 | 136,412,624 |
| Chengming Expressway Company | 49.00% | (5,001,205) | — | 360,187,197 |
| Zhongyou Energy | 51.81% | 23,318,964 | 21,435,137 | 302,906,924 |

2020

| | Shareholding proportion of non-controlling interests | Profit and loss attributable to non-controlling interests | Dividends paid to non-controlling interests | Accumulated non-controlling interests as at the end of the year |
|---------------------------------------|---|--|--|---|
| Chengdu Airport Expressway Company | 45.00% | 26,612,599 | 28,344,259 | 135,225,470 |
| Chengming Expressway Company | 49.00% | (11,582,722) | — | 365,188,402 |
| Zhongyou Energy | 51.81% | 22,089,078 | 18,496,771 | 301,023,097 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

V. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Significant non-controlling interests (continued)

The table below sets forth the major financial information of the above subsidiaries, which represents amounts before group elimination:

Chengdu Airport Expressway Company:

| | 2021 | 2020 |
|--|-------------|-------------|
| Current assets | 251,104,459 | 204,224,897 |
| Non-current assets | 91,997,119 | 123,400,138 |
| Total assets | 343,101,578 | 327,625,035 |
| Current liabilities | 38,405,542 | 24,807,718 |
| Non-current liabilities | 1,556,871 | 2,316,273 |
| Total liabilities | 39,962,413 | 27,123,991 |
| Revenue | 143,438,965 | 111,749,258 |
| Net profit | 68,573,836 | 59,139,109 |
| Total comprehensive income | 68,573,836 | 59,139,109 |
| Net cash flows from operating activities | 109,369,256 | 105,150,676 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

V. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Significant non-controlling interests (continued)

The table below sets forth the major financial information of the above subsidiaries, which represents amounts before group elimination: (continued)

Chengming Expressway Company:

| | 2021 | 2020 |
|--|----------------------|---------------|
| Current assets | 49,884,573 | 55,418,419 |
| Non-current assets (excluding goodwill) | 2,794,992,025 | 2,881,614,256 |
| Goodwill | 34,025,910 | 34,025,910 |
| Total assets | 2,878,902,508 | 2,971,058,585 |
| Current liabilities | 129,661,540 | 147,618,618 |
| Non-current liabilities | 1,980,139,146 | 2,044,131,604 |
| Total liabilities | 2,109,800,686 | 2,191,750,222 |
| Revenue | 201,133,511 | 186,496,127 |
| Net profit | (10,206,541) | (23,638,209) |
| Total comprehensive loss | (10,206,541) | (23,638,209) |
| Net cash flows from operating activities | 76,141,495 | 77,700,243 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

V. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Significant non-controlling interests (continued)

The table below sets forth the major financial information of the above subsidiaries, which represents amounts before group elimination: (continued)

Zhongyou Energy:

| | 2021 | 2020 |
|--|-------------|-------------|
| Current assets | 213,165,320 | 190,952,664 |
| Non-current assets | 429,942,066 | 433,368,885 |
| Total assets | 643,107,386 | 624,321,549 |
| Current liabilities | 25,569,453 | 17,266,648 |
| Non-current liabilities | 42,117,992 | 40,942,416 |
| Total liabilities | 67,687,445 | 58,209,064 |
| Revenue | 791,730,925 | 593,293,079 |
| Net profit | 45,008,616 | 42,634,777 |
| Total comprehensive income | 45,008,616 | 42,634,777 |
| Net cash flows from operating activities | 63,008,229 | 45,624,863 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

| | 2021 | 2020 |
|----------------------|----------------------|----------------------|
| Cash | 143,880 | 126,672 |
| Bank deposits | 1,870,893,721 | 1,758,740,699 |
| Other monetary funds | 16,313,779 | 818,679 |
| | 1,887,351,380 | 1,759,686,050 |

As at 31 December 2021, the restricted currency funds of the Group totaled RMB15,629,400 (31 December 2020: RMB15,629,400). Please refer to Note VI.18.

2. Accounts receivable

Credit period of accounts receivable generally ranges from one to three months. Accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable based on the transaction dates is as follows:*

| | 2021 | 2020 |
|--|--------------------|-------------------|
| Within 1 year | 97,702,894 | 36,090,171 |
| 1 to 2 years | 16,646,731 | 32,547,830 |
| 2 to 3 years | 32,411,717 | 216,182 |
| Over 3 years | 418,813 | 202,631 |
| | 147,180,155 | 69,056,814 |
| Less: Provision for bad debts of accounts receivable | 2,465,455 | 440,260 |
| | 144,714,700 | 68,616,554 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Accounts receivable (continued)

As at 31 December 2021, RMB114,807,958 (31 December 2020: RMB27,965,916) out of the Group's accounts receivable represented toll batch payment receivable by Chengwenqiong Expressway Company from district or county-level governments along the Chengwenqiong Expressway. In 2017, Chengwenqiong Expressway Company entered into the Agreement on Toll Batch Payment of Chengdu-registered Vehicles Travelling Through Chengwenqiong Expressway (the "Batch Payment Agreement") with Wenjiang District People's Government of Chengdu, Chongzhou District People's Government of Chengdu, Dayi County People's Government of Chengdu and Qionglai Municipal People's Government of Chengdu, pursuant to which, commencing from 1 July 2017, toll batch payment shall be settled by the above district or county-level governments to Chengwenqiong Expressway Company for Chengdu-registered vehicles with plate numbers starting with Chuan A or Chuan O (excluding freight vehicles) travelling through Chengwenqiong Expressway. Monthly toll batch payment shall be subject to the actual traffic volume of Chengdu-registered vehicles of a given month and 70% of toll collection standards for each vehicle. The credit period of batch payment receivable under the above Batch Payment Agreement with district or county-level governments ranges from one to three months.

Movements in provision for bad debts of accounts receivable are set out below:

| | Opening balance | Provision for the year | Amount recovered or reversed during the year | Amount written off during the year | Closing balance |
|------|--------------------|---------------------------|--|---|--------------------|
| 2021 | 440,260 | 2,025,195 | — | — | 2,465,455 |
| 2020 | 4,764 | 435,496 | — | — | 440,260 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Accounts receivable (continued)

The expected credit loss on accounts receivable of the Group by ageing is as follows:

| | 2021 | | | 2020 | | |
|---------------|--|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
| | Carrying amount estimated to be in default | Expected credit loss rate (%) | Lifetime expected credit loss | Carrying amount estimated to be in default | Expected credit loss rate (%) | Lifetime expected credit loss |
| Within 1 year | 97,702,894 | 0.76 | 744,502 | 36,090,171 | 0.06 | 22,351 |
| 1 to 2 years | 16,646,731 | 2.78 | 463,229 | 32,547,830 | 0.42 | 135,209 |
| 2 to 3 years | 32,411,717 | 3.23 | 1,048,364 | 216,182 | 37.04 | 80,069 |
| Over 3 years | 418,813 | 49.99 | 209,360 | 202,631 | 100.00 | 202,631 |
| | 147,180,155 | | 2,465,455 | 69,056,814 | | 440,260 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Prepayments

An ageing analysis of prepayments is as follows:

| | 2021 | 2020 |
|---------------|-------------------|------------|
| Within 1 year | 43,331,550 | 23,295,171 |

As at the balance sheet date, the management of the Group considered that the prepayments were not subject to the risk of impairment.

4. Other receivables

An ageing analysis of other receivables is as follows:

| | 2021 | 2020 |
|--|--------------------|------------|
| Within 1 year | 57,785,157 | 7,878,054 |
| 1 to 2 years | 73,569 | 2,717,175 |
| 2 to 3 years | 1,534,865 | 265,093 |
| Over 3 years | 47,883,418 | 49,266,715 |
| | 107,277,009 | 60,127,037 |
| Less: Provision for bad debts of other receivables | 47,583,460 | 47,595,780 |
| | 59,693,549 | 12,531,257 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Other receivables (continued)

Movements in provision for bad debts of other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows:

2021

| | Stage 1 Expected credit loss in the next 12 months | Stage 2 Lifetime expected credit loss | Stage 3 Lifetime expected credit loss of credit-impaired financial assets | Total |
|---------------------------|--|--|--|------------|
| Opening balance | – | – | 47,595,780 | 47,595,780 |
| Write-off during the year | – | – | 12,320 | 12,320 |
| Closing balance | – | – | 47,583,460 | 47,583,460 |

2020

| | Stage 1 Expected credit loss in the next 12 months | Stage 2 Lifetime expected credit loss | Stage 3 Lifetime expected credit loss of credit-impaired financial assets | Total |
|---------------------------|--|--|--|------------|
| Opening balance | – | – | 3,251,494 | 3,251,494 |
| Provision during the year | – | – | 45,959,947 | 45,959,947 |
| Write-off during the year | – | – | 1,615,661 | 1,615,661 |
| Closing balance | – | – | 47,595,780 | 47,595,780 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Other receivables (continued)

As at 31 December 2021, balance of expected credit loss of other receivables of the Group primarily represented amount receivable from Chengdu Huaguan Industrial Co., Ltd. (成都華冠實業股份有限公司) ("Huaguan Industrial") of RMB45,750,912. Huaguan Industrial is a former non-controlling shareholder of Communications Investment Energy. Chengdu Petroleum Corporation ("Chengdu Petroleum"), a subsidiary of Huaguan Industrial, failed to provide refined oil to Communications Investment Energy for which Communications Investment Energy had settled prepayments due to deterioration in operation, and was thus required to return the prepayments of RMB70,476,700 to Communications Investment Energy. On 24 June 2016, Communications Investment Energy filed a lawsuit in this regard, and the court ruled that Chengdu Petroleum shall return the above prepayments to Communications Investment Energy and Huaguan Industrial shall bear the joint settlement responsibility. As Chengdu Petroleum was unable to repay the amount, Communications Investment Energy thus demanded repayment from Huaguan Industrial. In 2018 and 2019, RMB7,437,637 and RMB17,288,151 out of such amount receivable was offset by batch by Communications Investment Energy with dividends payable to Huaguan Industrial. As of 31 December 2020, outstanding amount receivable from Huaguan Industrial and Chengdu Petroleum was RMB45,750,912. In 2020, China Cinda Asset Management Co., Ltd. Sichuan Branch disposed of its creditor's rights in Huaguan Industrial in full through auction at a consideration lower than the original value. It is highly probable that the new creditor may claim for the right of pledge of the equity interests in Communications Investment Energy attached to such creditor's rights, and the priority of the creditor's rights is over Communications Investment Energy in terms of settlement. There exists much uncertainty as to settlement for Communications Investment Energy after settlement of the creditor's rights. Accordingly, as at the end of 2020, the management provided impairment of RMB45,750,912 which was equivalent to lifetime expected credit loss of other accounts receivable.

5. Inventories

| | 2021 | 2020 |
|---|------------|------------|
| Finished goods | 46,134,548 | 54,557,700 |
| Less: Provision for decline in value of inventories | — | — |
| | 46,134,548 | 54,557,700 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Other current assets

| | 2021 | 2020 |
|----------------------|-----------|-----------|
| Deductible input VAT | 1,270,364 | 4,032,013 |

7. Long-term receivables and non-current assets due within one year

| | 2021 | 2020 |
|--|-----------|-----------|
| Borrowings receivable from related parties | 2,150,000 | 2,150,000 |
| Less: Provision for bad debts of long-term receivables | – | – |
| | 2,150,000 | 2,150,000 |
| Less: Long-term receivables due within one year | – | 430,000 |
| | 2,150,000 | 1,720,000 |

As of 31 December 2021, Energy Development Company granted borrowings with principal of RMB2,150,000 (31 December 2020: RMB2,150,000) to Chengdu Jiuhe Oil Management Co., Ltd. ("Chengdu Jiuhe") carrying an annual interest rate of 4.75% (31 December 2020: 4.75%).

As at 31 December 2021, Energy Development Company entered into a renewal agreement with Chengdu Jiuhe to extend the maturity date of the borrowings to 27 November 2026, with interest to be settled on an annual basis and principal to be repaid upon maturity.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-term equity investments

| | 2021 | 2020 |
|--|-------------|-------------|
| Joint ventures | | |
| Sinopec Chengdu Energy Co., Ltd. ("Sinopec Chengdu Energy") | 14,909,799 | 13,350,050 |
| Chengdu Communications Investment New Energy Industrial Development Co., Ltd. ("New Energy Company") | 59,020,440 | — |
| Associates | | |
| Chengdu Chengbei Exit Expressway Co., Ltd. ("Chengbei Exit Expressway Company") | 127,666,399 | 118,218,264 |
| Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., Ltd. ("Zhongyou Jieneng") | 51,268,798 | 48,539,799 |
| Chengdu Tongneng Compressed Natural Gas Co., Ltd. ("Chengdu Tongneng") | 123,712,507 | 108,896,634 |
| Chengdu Jiuhe Oil Management Co., Ltd. ("Chengdu Jiuhe") | 4,893,569 | 4,943,882 |
| Chengdu Jiaoyun Compressed Natural Gas Development Co., Ltd. ("Chengdu Jiaoyun CNG") | 6,422,579 | 6,326,873 |
| | 387,894,091 | 300,275,502 |
| Less: Provision for impairment of long-term equity investment | — | — |
| | 387,894,091 | 300,275,502 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-term equity investments (continued)

Major information of joint ventures and associates:

| | Place of principal business/ registration | Nature of business | Registered capital | Proportion of shareholding held by the Group (%) | Proportion of voting rights held by the Group (%) |
|----------------------------------|--|---|-----------------------|---|--|
| Joint ventures | | | | | |
| Sinopec Chengdu Energy | Chengdu | Management and operation of petrol stations | 41,540,200 | 50.00 | 50.00 |
| New Energy Company | Chengdu | Operation of vehicle charging facilities | 100,000,000 | 60.00 | 60.00 |
| Associates | | | | | |
| Zhongyou Jieneng | Chengdu | Management and operation of gas stations | 69,667,500 | 47.49 | 47.49 |
| Chengbei Exit Expressway Company | Chengdu | Expressway management and operation | 220,000,000 | 40.00 | 40.00 |
| Chengdu Tongneng | Chengdu | Management and operation of gas stations | 86,000,000 | 30.00 | 30.00 |
| Chengdu Jiuhe | Chengdu | Management and operation of petrol stations | 13,000,000 | 43.00 | 43.00 |
| Chengdu Jiaoyun CNG | Chengdu | Management and operation of gas stations | 13,000,000 | 25.00 | 25.00 |

Although Energy Development Company, a subsidiary of the Group, holds 60% equity interests in New Energy Company, it does not control New Energy Company. Pursuant to the articles of association of New Energy Company, its general meeting has the highest authority, and resolutions proposed at the general meeting shall be approved by more than two-thirds of the shareholders with voting rights. In addition, the board of directors of New Energy Company comprises 5 members, of whom Energy Development Company and the other shareholder each are entitled to appoint two directors, and the remaining director shall be employee representative director. Its board resolutions shall be approved by one-half of the directors. Therefore, the management of the Group considered that neither the Group nor the other shareholder had control over New Energy Company, and it is thus a joint venture of the Group.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-term equity investments (continued)

The table below sets forth the financial information of joint ventures and associates of the Group, which have been adjusted for all accounting differences and reconciled to the carrying amount of the financial statements:

Associates:

Chengbei Exit Expressway Company

| | 2021 | 2020 |
|---|--------------------|-------------|
| Current assets | 262,013,653 | 197,876,289 |
| Including: Cash and cash equivalents | 258,928,186 | 196,622,493 |
| Non-current assets (excluding goodwill) | 99,707,294 | 135,184,665 |
| Total assets | 361,720,947 | 333,060,954 |
| Current liabilities | 37,351,577 | 30,318,652 |
| Non-current liabilities | 5,203,372 | 7,196,642 |
| Total liabilities | 42,554,949 | 37,515,294 |
| Net assets | 319,165,998 | 295,545,660 |
| The Group's share of net assets | 127,666,399 | 118,218,264 |
| Adjustment | — | — |
| Carrying value of the investment | 127,666,399 | 118,218,264 |

| | 2021 | 2020 |
|----------------------------|--------------------|------------|
| Revenue | 132,382,988 | 84,737,703 |
| Income tax expense | 9,198,032 | 4,926,474 |
| Net profit | 52,786,793 | 30,385,825 |
| Total comprehensive income | 52,786,793 | 30,385,825 |
| Dividends received | 11,666,582 | — |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-term equity investments (continued)

Chengdu Tongneng

| | 2021 | 2020 |
|--|--------------------|-------------|
| Current assets | 149,105,674 | 146,404,813 |
| Including: Cash and cash equivalents | 97,353,780 | 100,423,484 |
| Non-current assets | 515,565,530 | 280,693,847 |
| Total assets | 664,671,204 | 427,098,660 |
| Current liabilities | 115,385,128 | 31,942,636 |
| Non-current liabilities | 108,674,857 | 6,938,903 |
| Total liabilities | 224,059,985 | 38,881,539 |
| Net assets | 440,611,219 | 388,217,121 |
| Including: Net assets attributable to shareholders of the Company | 409,768,433 | 360,382,190 |
| The Group's share of net assets | 122,930,530 | 108,114,657 |
| Adjustment | 781,977 | 781,977 |
| Carrying value of the investment | 123,712,507 | 108,896,634 |
| | 2021 | 2020 |
| Revenue | 433,399,080 | 346,825,724 |
| Income tax expense | 11,467,432 | 8,130,874 |
| Net profit | 64,386,242 | 56,191,787 |
| Total comprehensive income | 64,386,242 | 56,191,787 |
| Dividends received | 4,500,000 | — |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-term equity investments (continued)

The table below sets forth a summary of the insignificant consolidated financial information of joint ventures:

| | 2021 | 2020 |
|--|-------------------|------------|
| Total carrying values of investment | 73,930,239 | 13,350,050 |
| Total amounts calculated as per shareholding | | |
| Net profit | 642,282 | 2,073,288 |
| Other comprehensive income | (62,093) | — |
| Total comprehensive income | 580,189 | 2,073,288 |

The table below sets forth a summary of the insignificant consolidated financial information of associates:

| | 2021 | 2020 |
|--|-------------------|------------|
| Total carrying values of investment | 62,584,946 | 59,810,554 |
| Total amounts calculated as per shareholding | | |
| Net profit | 3,423,241 | 1,949,506 |
| Other comprehensive income | — | — |
| Total comprehensive income | 3,423,241 | 1,949,506 |
| Dividends received | 648,849 | 900,882 |

9. Other non-current financial assets

| | 2021 | 2020 |
|---|-------------------|---------|
| Financial assets at fair value through profit or loss | 13,950,700 | 500,000 |

The investment of RMB13,950,700 made by the Group for the 6.5% equity interests in Sichuan Intelligent Transportation Systems Management Co., Ltd. (四川智能交通系統管理有限責任公司) was strategic investment and designated as financial assets at fair value through profit or loss. In 2021, the Group received distribution of RMB334,800 from it, which was recognised as investment income.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Fixed assets

2021

| | Buildings | Security facilities | Supervising equipment and others | Petrol and gas station facilities | Toll collection facilities | Motor vehicles | Total |
|---|-------------|---------------------|----------------------------------|-----------------------------------|----------------------------|----------------|--------------|
| Cost | | | | | | | |
| Opening balance | 116,351,120 | 230,241,284 | 178,766,412 | 32,859,052 | 271,806,492 | 33,775,730 | 863,800,090 |
| Purchase | - | - | 2,367,062 | 72,938 | 54,804 | 6,634,193 | 9,128,997 |
| Transferred from construction in progress | 9,558,926 | - | 12,424,325 | 111,915 | 752,492 | - | 22,847,658 |
| Disposal or scrap | (3,266,678) | - | (7,540,441) | (362,329) | (2,417,675) | (6,867,542) | (20,454,665) |
| Closing balance | 122,643,368 | 230,241,284 | 186,017,358 | 32,681,576 | 270,196,113 | 33,542,381 | 875,322,080 |
| Accumulated depreciation | | | | | | | |
| Opening balance | 37,671,415 | 160,479,494 | 89,467,711 | 5,459,782 | 174,968,530 | 25,876,994 | 493,923,926 |
| Provision | 5,387,300 | 10,559,578 | 12,576,951 | 2,496,809 | 16,372,892 | 1,859,505 | 49,253,035 |
| Disposal or scrap | (3,017,223) | - | (7,163,419) | (301,855) | (1,304,834) | (6,632,261) | (18,419,592) |
| Closing balance | 40,041,492 | 171,039,072 | 94,881,243 | 7,654,736 | 190,036,588 | 21,104,238 | 524,757,369 |
| Carrying amount | | | | | | | |
| At the end of the year | 82,601,876 | 59,202,212 | 91,136,115 | 25,026,840 | 80,159,525 | 12,438,143 | 350,564,711 |
| At the beginning of the year | 78,679,705 | 69,761,790 | 89,298,701 | 27,399,270 | 96,837,962 | 7,898,736 | 369,876,164 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Fixed assets (continued)

2020

| | Buildings | Security facilities | Supervising equipment and others | Petrol and gas station facilities | Toll collection facilities | Motor vehicles | Total |
|---|-------------|---------------------|----------------------------------|-----------------------------------|----------------------------|----------------|--------------|
| Cost | | | | | | | |
| Opening balance | 107,165,939 | 251,039,207 | 193,219,085 | 26,196,520 | 304,215,388 | 35,232,189 | 917,068,328 |
| Purchase | - | - | 118,026 | 195,681 | 580,279 | 470,277 | 1,364,263 |
| Transferred from construction in progress | 9,185,181 | - | 1,224,501 | 7,349,276 | 6,427,223 | - | 24,186,181 |
| Disposal or scrap | - | (20,797,923) | - | (882,425) | (8,072,398) | (1,926,736) | (31,679,482) |
| Offset with government grants | - | - | (15,795,200) | - | (31,344,000) | - | (47,139,200) |
| Closing balance | 116,351,120 | 230,241,284 | 178,766,412 | 32,859,052 | 271,806,492 | 33,775,730 | 863,800,090 |
| Accumulated depreciation | | | | | | | |
| Opening balance | 29,432,180 | 168,644,729 | 79,415,914 | 3,667,358 | 160,562,023 | 25,685,008 | 467,407,212 |
| Provision | 8,239,235 | 11,592,793 | 10,051,797 | 2,630,727 | 21,994,498 | 2,022,386 | 56,531,436 |
| Write-off | - | (19,758,028) | - | (838,303) | (7,587,991) | (1,830,400) | (30,014,722) |
| Closing balance | 37,671,415 | 160,479,494 | 89,467,711 | 5,459,782 | 174,968,530 | 25,876,994 | 493,923,926 |
| Carrying amount | | | | | | | |
| At the end of the year | 78,679,705 | 69,761,790 | 89,298,701 | 27,399,270 | 96,837,962 | 7,898,736 | 369,876,164 |
| At the beginning of the year | 77,733,759 | 82,394,478 | 113,803,171 | 22,529,162 | 143,653,365 | 9,547,181 | 449,661,116 |

As at the balance sheet date, fixed assets with carrying amount of RMB26,507,540 (31 December 2020: RMB18,930,821) of the Group had not obtained the certificate of ownership.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Construction in progress

| | 2021 | 2020 |
|--|------------|------------|
| Construction in progress | 26,015,647 | 27,891,542 |
| Less: Provision for construction in progress | 1,131,463 | 1,131,463 |
| | 24,884,184 | 26,760,079 |

12. Right-of-use assets

2021

| | Buildings | Land use right | Total |
|------------------------------|------------|----------------|------------|
| Cost | | | |
| Opening balance | 20,332,078 | 38,226,378 | 58,558,456 |
| Increase | 5,298,984 | — | 5,298,984 |
| Lease modification | 10,798 | — | 10,798 |
| Closing balance | 25,641,860 | 38,226,378 | 63,868,238 |
| Accumulated amortisation | | | |
| Opening balance | 4,619,976 | 5,718,550 | 10,338,526 |
| Provision | 5,002,565 | 2,856,728 | 7,859,293 |
| Closing balance | 9,622,541 | 8,575,278 | 18,197,819 |
| Carrying amount | | | |
| At the end of the year | 16,019,319 | 29,651,100 | 45,670,419 |
| At the beginning of the year | 15,712,102 | 32,507,828 | 48,219,930 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Right-of-use assets (continued)

2020

| | Buildings | Land use right | Total |
|------------------------------|-------------|----------------|-------------|
| Cost | | | |
| Opening balance | 9,534,384 | 38,226,378 | 47,760,762 |
| Increase | 13,351,216 | — | 13,351,216 |
| Disposal | (2,278,594) | — | (2,278,594) |
| Lease modification | (274,928) | — | (274,928) |
| Closing balance | 20,332,078 | 38,226,378 | 58,558,456 |
| Accumulated amortisation | | | |
| Opening balance | 3,969,958 | 2,859,275 | 6,829,233 |
| Provision | 2,928,611 | 2,859,275 | 5,787,886 |
| Disposal | (2,278,593) | — | (2,278,593) |
| Closing balance | 4,619,976 | 5,718,550 | 10,338,526 |
| Carrying amount | | | |
| At the end of the year | 15,712,102 | 32,507,828 | 48,219,930 |
| At the beginning of the year | 5,564,426 | 35,367,103 | 40,931,529 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Intangible assets

2021

| | Land use right | Expressway service concession rights | Software | Total |
|------------------------------|-------------------|---|-----------|---------------|
| Cost | | | | |
| Opening balance | 542,158,748 | 7,466,592,625 | 4,502,055 | 8,013,253,428 |
| Purchase | 57,974,180 | – | 1,120,134 | 59,094,314 |
| Disposal | (7,881,215) | (1,121,239) | – | (9,002,454) |
| Swap of non-monetary assets | 21,579,991 | – | – | 21,579,991 |
| Closing balance | 613,831,704 | 7,465,471,386 | 5,622,189 | 8,084,925,279 |
| Accumulated amortisation | | | | |
| Opening balance | 48,136,532 | 1,694,403,634 | 2,693,046 | 1,745,233,212 |
| Provision | 16,271,685 | 272,859,015 | 754,115 | 289,884,815 |
| Disposal | (1,806,083) | (1,121,239) | – | (2,927,322) |
| Swap of non-monetary assets | (3,030,672) | – | – | (3,030,672) |
| Closing balance | 59,571,462 | 1,966,141,410 | 3,447,161 | 2,029,160,033 |
| Carrying amount | | | | |
| At the end of the year | 554,260,242 | 5,499,329,976 | 2,175,028 | 6,055,765,246 |
| At the beginning of the year | 494,022,216 | 5,772,188,991 | 1,809,009 | 6,268,020,216 |

For swap of non-monetary assets of the Group, please refer to Note XVI.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Intangible assets (continued)

2020

| | Land use right | Expressway service concession rights | Software | Total |
|------------------------------|-------------------|---|-----------|---------------|
| Cost | | | | |
| Opening balance | 490,074,583 | 7,371,103,085 | 3,529,544 | 7,864,707,212 |
| Purchase | 52,084,165 | 105,616,000 | 972,511 | 158,672,676 |
| Disposal | – | (10,126,460) | – | (10,126,460) |
| Closing balance | 542,158,748 | 7,466,592,625 | 4,502,055 | 8,013,253,428 |
| Accumulated amortisation | | | | |
| Opening balance | 32,032,315 | 1,445,333,159 | 2,357,795 | 1,479,723,269 |
| Provision | 16,104,217 | 249,070,475 | 335,251 | 265,509,943 |
| Disposal | – | – | – | – |
| Closing balance | 48,136,532 | 1,694,403,634 | 2,693,046 | 1,745,233,212 |
| Carrying amount | | | | |
| At the end of the year | 494,022,216 | 5,772,188,991 | 1,809,009 | 6,268,020,216 |
| At the beginning of the year | 458,042,268 | 5,925,769,926 | 1,171,749 | 6,384,983,943 |

As at 31 December 2021, the ownership of intangible assets with a carrying amount of RMB4,525,741,893 (31 December 2020: RMB4,722,211,004) was restricted. Please refer to Note VI. 18.

As at 31 December 2021, the carrying amount of the Group's defective land included in land use right under the intangible assets was RMB179,878,032 (31 December 2020: RMB236,298,510).

In 2021, amortisation of land use right of RMB2,463,706 (2020: Nil) was included in construction in progress.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Goodwill

| | 2021 | 2020 |
|---|-------------------|------------|
| Carrying amount at the beginning of the year and carrying amount at the end of the year | 34,025,910 | 34,025,910 |

Goodwill acquired through a business combination is allocated to the following Chengming Expressway Company asset group for impairment testing.

The recoverable amounts of the Chengming Expressway Company asset group had been determined using the present value of the future cash flow projections of the asset group based on cash flow during the service concession period approved by the management. The discount rate applied to the cash flow projections was 8.56% (2020: 8.46%).

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

| | | |
|----------------|---|---|
| Toll rate | – | The estimated toll rate of each type of vehicles was approved by the Department of Transportation of Sichuan Province and Sichuan Provincial Development and Reform Commission. |
| Traffic volume | – | The estimated traffic volume forecast was issued by an independent traffic consultant. |
| Discount rate | – | The discount rate used is pre-tax and reflects specific risks relating to Chengming Expressway Company. |

The values assigned to the key assumptions of the above asset group are consistent with the Group's historical experience and external information sources. In the opinion of the Company's directors, a decrease in revenue, caused by the decrease of the toll rate or the decrease of traffic volume, by 5% to 7%, would cause the carrying amount of the Chengming Expressway Company asset group to exceed its recoverable amount by approximately RMB13,236,983 to RMB72,283,206, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the carrying amount of the Chengming Expressway Company asset group to exceed its recoverable amount.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Long-term prepaid expenses

| | 2021 | 2020 |
|------------------------------|---------|---------|
| Building decoration expenses | 452,765 | 341,280 |

16. Deferred tax assets/liabilities

Certain recognised deferred tax assets and recognised deferred tax liabilities of the Group are presented on a net basis after offset in the balance sheet. As at 31 December 2021, the amount offset reached RMB59,177,470 (31 December 2020: RMB51,010,702).

Deferred tax assets recognised:

| | 2021 | 2020 |
|---|------------|------------|
| Compensation for permanent land occupation | 10,137,711 | 10,705,706 |
| Advances from rental of petrol stations and service areas | 10,818,593 | 11,303,945 |
| Tax depreciation difference of intangible assets | 13,097,426 | 9,410,363 |
| Fair value adjustments arising from acquisition of subsidiaries | 2,038,208 | 2,149,273 |
| Impairment provision of accounts receivable and other receivables | 11,941,469 | 11,580,161 |
| Impairment provision of construction in progress | 282,866 | 282,866 |
| Unpaid related party interests | 5,645,691 | 5,487,244 |
| Application of new lease standards | 8,371,030 | 7,374,207 |
| Tax depreciation difference of fixed assets | 3,190,170 | 3,136,136 |
| Deductible losses | 23,737,330 | 22,143,182 |
| | 89,260,494 | 83,573,083 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Deferred tax assets/liabilities (continued)

Deferred tax liabilities recognised:

| | 2021 | 2020 |
|---|--------------------|-------------|
| Fair value adjustment arising from land replacement | 5,662,060 | – |
| Amortisation of service concession rights | 102,829,641 | 96,967,766 |
| Fair value adjustments arising from acquisition of subsidiaries | 128,054,839 | 131,239,603 |
| Application of new lease standards | 8,371,030 | 7,374,207 |
| | 244,917,570 | 235,581,576 |

Deferred tax assets and deferred tax liabilities presented on a net basis after offset:

| | 2021 | | 2020 | |
|--------------------------|------------------|-------------------------|------------------|-------------------------|
| | Amount offset | Balance after offset | Amount offset | Balance after offset |
| Deferred tax assets | 14,033,091 | 30,083,024 | 7,374,207 | 32,562,381 |
| Deferred tax liabilities | 45,144,379 | 185,740,100 | 43,636,495 | 184,570,874 |

Given that certain subsidiaries of the Group are still in a loss-making status, and there remains significant uncertainty as to whether sufficient taxable profits will be available in the future to offset such deductible losses, as at 31 December 2021, deductible losses of the unrecognised deferred tax assets were RMB65,965,319 (31 December 2020: RMB115,786,026).

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Deferred tax assets/liabilities (continued)

Deductible losses of unrecognised deferred tax assets will expire in the following years:

| | 2021 | 2020 |
|------|-------------------|--------------------|
| 2021 | – | 67,479,201 |
| 2022 | 13,497,051 | 13,497,051 |
| 2023 | 13,780,210 | 13,780,210 |
| 2024 | 13,066,273 | 13,066,273 |
| 2025 | 7,963,291 | 7,963,291 |
| 2026 | 17,658,494 | – |
| | 65,965,319 | 115,786,026 |

17. Other non-current assets

| | 2021 | 2020 |
|--------------------------------|-------------------|-------------------|
| Prepayment of land use right | 23,726,085 | 46,687,665 |
| Land use right held for sale | 6,075,132 | – |
| Performance guarantee deposits | – | 15,269,400 |
| | 29,801,217 | 61,957,065 |

On 22 November 2021, at the board meeting of Energy Development Company, it was resolved that Energy Development Company would make capital contribution to Zhongyou Jieneng with the land use right of the CNG station located in the southwest region of the Western Park of High-tech Zone [Chuan (2017) Chengdu Bu Dong Chan Quan No. 0377130]. On 31 December 2021, Energy Development Company entered into a legally binding capital increase agreement, pursuant to which, the capital increase shall be completed within eight months from the effective date of the agreement. Therefore, Energy Development Company classified the land use rights of the above plot of land as asset held for sale. As the asset was used to swap long-term equity investment, it was recorded in other non-current assets of the Group.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Assets with restricted ownership

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Intangible assets – service concession rights | | |
| Chengpeng Expressway | 1,197,274,381 | 1,267,783,732 |
| Chengwenqiong Expressway | 1,008,566,526 | 1,070,956,427 |
| Qiongming Expressway | 2,319,900,986 | 2,383,470,845 |
| Performance guarantee deposits | 15,269,400 | 15,269,400 |
| | 4,541,011,293 | 4,737,480,404 |

As at 31 December 2021, the Group pledged expressway toll collection rights with a carrying amount of RMB4,525,741,893 (2020: RMB4,722,211,004) to obtain bank borrowings of RMB2,523,000,000 (2020: RMB2,630,500,000), the amortisation of which in 2021 was RMB195,520,164 (2020: RMB186,450,397).

On 8 December 2020, the Group won the tenders for the operation business of Sichuan Tianfu Airport Expressway Co., Ltd. ("Tianfu Airport Expressway") and Pujiang-Dujiangyan Section of Chengdu Economic Zone Ring Expressway ("Pudu Expressway"). The Group issued performance guarantees to Tianfu Airport Expressway and Pudu Expressway through China CITIC Bank Corporation Limited Chengdu branch in an amount of RMB8,211,000 and RMB7,058,400, respectively with a valid period until 31 December 2022. As at 31 December 2021, the performance guarantee deposits were presented in other monetary funds under currency funds.

19. Accounts payable*

The accounts payable are non-interest-bearing. An ageing analysis of accounts payable based on invoice date is as follows:

| | 2021 | 2020 |
|-----------------|--------------------|--------------------|
| Within 3 months | 39,483,368 | 68,082,460 |
| 3 to 6 months | 2,719,828 | 78,002,294 |
| 6 to 12 months | 16,988,529 | 4,152,075 |
| Over 1 year | 783,352,902 | 777,422,121 |
| | 842,544,627 | 927,658,950 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Contract liabilities

| | 2021 | 2020 |
|-----------------------------|-------------------|-------------------|
| Income from promissory note | 2,574,265 | 3,147,234 |
| Advance batch payment | 13,160,347 | 24,059,770 |
| Advance refilling payment | 5,769,144 | 8,025,379 |
| | 21,503,756 | 35,232,383 |

As at 31 December 2021, the decrease in contract liabilities was mainly attributable to the decline in advance batch payment for Chengwenqiong Expressway received from government authorities. Contract liabilities will be recognised as revenue within one year. Carrying amount of the contract liabilities of RMB35,232,383 at the beginning of the year has been recognised as revenue in 2021.

21. Employee benefits payable

| | Amount payable in 2021 | Outstanding amount as at the end of 2021 | Amount payable in 2020 | Outstanding amount as at the end of 2020 |
|---|------------------------|--|------------------------|--|
| Wages and salaries, bonuses, allowances and subsidies | 228,657,112 | 45,760,625 | 157,772,481 | 30,330,000 |
| Employee welfare | 30,525,424 | — | 21,812,456 | — |
| Social insurance expense | 16,272,333 | — | 10,164,214 | — |
| Including: Medical insurance expense | 14,425,909 | — | 8,933,952 | — |
| Work-related injury insurance expense | 744,699 | — | 39,781 | — |
| Maternity insurance expense | 1,101,725 | — | 1,190,481 | — |
| Housing provident fund | 21,205,980 | — | 17,149,446 | — |
| Labour union funds and employee education funds | 5,648,203 | 2,793,935 | 3,777,191 | 1,908,051 |
| Other short-term compensation | 117,031 | — | 4,914,316 | — |
| | 302,426,083 | 48,554,560 | 215,590,104 | 32,238,051 |
| Defined contribution plans | 38,975,892 | — | 7,880,908 | — |
| Including: Basic pension insurance expense | 30,419,580 | — | 2,219,725 | — |
| Unemployment Insurance expense | 1,137,940 | — | 154,092 | — |
| Enterprise annuity expense | 7,418,372 | — | 5,507,091 | — |
| Termination benefits | 199,248 | 73,443 | 165,692 | — |
| | 341,601,223 | 48,628,003 | 223,636,704 | 32,238,051 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Taxes and surcharges payable

| | 2021 | 2020 |
|---------------------------------------|-------------------|-------------------|
| VAT | 8,472,471 | 7,999,097 |
| City maintenance and construction tax | 515,679 | 450,700 |
| Corporate income tax | 31,333,490 | 39,691,007 |
| Educational surcharge | 221,005 | 219,538 |
| Local educational surcharge | 147,337 | 146,359 |
| Individual income tax | 465,983 | 120,836 |
| Land appreciation tax | 3,588,462 | 3,588,462 |
| Others | 58,393 | 24,945 |
| | 44,802,820 | 52,240,944 |

23. Non-current liabilities due within one year

| | 2021 | 2020 |
|--|--------------------|--------------------|
| Long-term borrowings due within one year | 236,000,000 | 214,500,000 |
| Lease liabilities due within one year | 8,633,352 | 6,520,201 |
| Land occupation compensation due within one year | 9,109,038 | 8,873,331 |
| | 253,742,390 | 229,893,532 |

24. Long-term borrowings

| | Note | 2021 | 2020 |
|--|------|----------------------|----------------------|
| Pledged borrowings | 1 | 2,523,000,000 | 2,630,500,000 |
| Guaranteed borrowings | | 288,000,000 | 360,000,000 |
| Unsecured borrowings | 2 | 157,000,000 | 192,000,000 |
| | | 2,968,000,000 | 3,182,500,000 |
| Less: Long-term borrowings due within one year | | 236,000,000 | 214,500,000 |
| | | 2,732,000,000 | 2,968,000,000 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Long-term borrowings (continued)

An analysis of long-term borrowings based on maturity dates is as follows:*

| | 31 December 2021 | 31 December 2020 |
|-------------------------------------|----------------------|---------------------|
| Due within 1 year (inclusive) | 236,000,000 | 214,500,000 |
| Due within 2 years (inclusive) | 253,000,000 | 226,000,000 |
| Due within 3 to 5 years (inclusive) | 812,000,000 | 818,000,000 |
| Over 5 years | 1,667,000,000 | 1,924,000,000 |
| | 2,968,000,000 | 3,182,500,000 |

As at 31 December 2021, the above borrowings carried an annual interest rate ranging from 3.66% to 4.41% (31 December 2020: 3.66% to 4.41%).

Note 1: The pledged borrowings are pledged by expressway toll collection right detailed in Note VI.18, of which bank borrowings of RMB1,710,000,000 (2020: RMB1,767,500,000) obtained by Chengming Expressway Company were guaranteed by Chengdu Communications Investment.

Note 2: As at 31 December 2021, guaranteed borrowings of RMB157,000,000 (2020: RMB192,000,000) guaranteed by Chengwenqiong Expressway Company and the Company were obtained.

25. Lease liabilities

| | 2021 | 2020 |
|---|-------------------|-------------|
| Opening balance | 47,477,780 | 39,506,106 |
| Increase in the year | 5,298,983 | 12,493,713 |
| Interest | 2,161,289 | 1,998,187 |
| Payment in the year | (9,328,437) | (6,218,548) |
| Lease modification | 11,907 | (301,678) |
| Closing balance | 45,621,522 | 47,477,780 |
| Less: Lease liabilities due within one year | 8,633,352 | 6,520,201 |
| | 36,988,170 | 40,957,579 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other non-current liabilities

| | 2021 | 2020 |
|---------------------------------------|--------------------|-------------|
| Related party borrowings | 82,824,270 | 81,767,954 |
| Advanced rental | 51,771,723 | 55,020,419 |
| Advanced land occupation compensation | 53,902,006 | 57,976,285 |
| | 188,497,999 | 194,764,658 |

As at 31 December 2021, the principal and interest of the borrowings granted to Chengming Expressway Company by Chengdu Expressway Construction totaled RMB82,824,270 (31 December 2020: RMB81,767,954). Pursuant to the borrowing agreement, the borrowings carry an annual interest rate of 4.75% and will mature on 30 April 2024 with principal and interest to be paid in one lump sum upon maturity. The borrowing agreement stipulates that Chengdu Expressway Construction may recover the borrowings in advance based on the actual condition of Chengming Expressway Company. In 2021, Chengming Expressway Company and Chengdu Expressway Construction entered into the supplemental agreement, pursuant to which Chengdu Expressway Construction shall not require Chengming Expressway Company to repay the principal and interests of the borrowings before 31 December 2022.

27. Share capital

Share capital

| | 2021 | | 2020 | |
|--------------------------------------|----------------------|----------------|---------------|------------|
| | RMB | Proportion | RMB | Proportion |
| Chengdu Expressway Construction | 900,000,000 | 54.34% | 900,000,000 | 54.34% |
| Chengdu Communications Investment | 300,000,000 | 18.11% | 300,000,000 | 18.11% |
| H shares with a nominal value of RMB | 456,102,000 | 27.55% | 456,102,000 | 27.55% |
| | 1,656,102,000 | 100.00% | 1,656,102,000 | 100.00% |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Capital reserve

2021

| | Share premium | Others | Total |
|--|---------------|-------------|-------------|
| Opening balance | 382,150,616 | 121,818,000 | 503,968,616 |
| Acquisition of non-controlling interests | – | 384,875 | 384,875 |
| Closing balance | 382,150,616 | 122,202,875 | 504,353,491 |

2020

| | Share premium | Others | Total |
|---|---------------|-------------|---------------|
| Opening balance | 1,109,720,616 | 121,818,000 | 1,231,538,616 |
| Business combination under common control | (727,570,000) | – | (727,570,000) |
| Closing balance | 382,150,616 | 121,818,000 | 503,968,616 |

In June 2016, Chengdu Expressway Construction transferred the 40% equity interests held by it in Chengbei Exit Expressway Company to the Company at nil consideration, and the fair value of the identifiable net assets underlying the 40% equity interests in Chengbei Exit Expressway Company of RMB121,818,000 as at the date of transfer was recognised in others under capital reserve.

The increase in other capital reserve of RMB384,875 in 2021 was due to acquisition of the non-controlling interests in Chengpeng Expressway Company by the Company.

29. Specialised reserve

| | 2021 | 2020 |
|---------------------------|------------|------------|
| Opening balance | 12,176,671 | 9,048,796 |
| Appropriation in the year | 4,300,729 | 4,149,815 |
| Utilisation in the year | 1,570,770 | 1,021,940 |
| Closing balance | 14,906,630 | 12,176,671 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Surplus reserve

2021

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---------------------------|--------------------|-------------------------|-------------------------|--------------------|
| Statutory surplus reserve | 173,993,461 | 39,896,410 | – | 213,889,871 |

2020

| | Opening balance | Increase in the year | Decrease in the year | Closing balance |
|---------------------------|--------------------|-------------------------|-------------------------|--------------------|
| Statutory surplus reserve | 136,394,930 | 37,598,531 | – | 173,993,461 |

According to the requirements of the Company Law and the articles of association of the Company, the Company shall appropriate 10% of its net profit to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has exceeded 50% of the registered capital of the Company, additional appropriation will not be needed.

31. Unappropriated profit

| | 2021 | 2020 |
|--|---------------|-------------|
| Unappropriated profit at the end of the preceding year | 933,904,013 | 828,853,671 |
| Net profit attributable to shareholders of the Company | 614,652,615 | 341,381,113 |
| Less: appropriation of statutory surplus reserve | 39,896,410 | 37,598,531 |
| Cash dividend payable | 200,388,342 | 198,732,240 |
| Unappropriated profit at the end of the year | 1,308,271,876 | 933,904,013 |

As at 31 December 2021, the unappropriated profit included balance of surplus reserve of subsidiaries attributable to the parent company of RMB206,220,870 (31 December 2020: RMB199,588,157), of which surplus reserve attributable to the parent company provided by the subsidiaries during the year was RMB6,566,185 (2020: RMB26,182,942).

Pursuant to the resolution approved at the shareholders' general meeting on 10 June 2021, the Company paid cash dividends of RMB0.121 per share to all the shareholders, totaling RMB200,388,342 based on the total share capital of the Company of 1,656,102,000, which have been paid in the middle of 2021 and presented in the financial statements of the current year.*

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Unappropriated profit (continued)

According to the board resolution dated 24 March 2022, the board of directors proposed to distribute cash dividends of RMB0.141 per share to all the shareholders, and based on the current total number of shares of the Company of 1,656,102,000, totaling RMB233,510,382. The proposal is subject to approval at the general meeting. Before approval is obtained at the general meeting, the proposed dividends will not constitute liabilities, and therefore are not reflected in the financial statements of the current year.*

32. Revenue

| | 2021 | 2020 |
|---------------------------------|----------------------|---------------|
| Revenue from principal business | 2,663,390,422 | 2,023,716,172 |
| Revenue from other business | 38,980,465 | 14,635,891 |
| | 2,702,370,887 | 2,038,352,063 |

Revenue is presented as follows:

| | 2021 | 2020 |
|---------------------------------------|----------------------|---------------|
| Revenue from contracts with customers | 2,684,415,568 | 2,024,558,306 |
| Revenue from lease of assets | 17,955,319 | 13,793,757 |
| | 2,702,370,887 | 2,038,352,063 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Revenue (continued)

Disaggregation of revenue from contracts with customers is as follows:

2021

| Reporting segment | Expressway segment | Energy segment | Total |
|--|--------------------|----------------|---------------|
| Major revenue sources | | | |
| Toll income | 1,413,912,681 | – | 1,413,912,681 |
| Revenue from operation and management services | 67,095,217 | – | 67,095,217 |
| Revenue from sales of refined oil | – | 1,182,382,524 | 1,182,382,524 |
| Revenue from convenience stores | – | 16,622,421 | 16,622,421 |
| Other revenue | 357,719 | 4,045,006 | 4,402,725 |
| | 1,481,365,617 | 1,203,049,951 | 2,684,415,568 |
| Timing of revenue recognition | | | |
| At a point in time | | | |
| Toll income | 1,413,912,681 | – | 1,413,912,681 |
| Revenue from sales of refined oil | – | 1,182,382,524 | 1,182,382,524 |
| Revenue from convenience stores | – | 16,622,421 | 16,622,421 |
| Other revenue | 357,719 | 2,603,818 | 2,961,537 |
| Over time | | | |
| Revenue from operation and management services | 67,095,217 | – | 67,095,217 |
| Revenue from agency construction | – | 1,441,188 | 1,441,188 |
| | 1,481,365,617 | 1,203,049,951 | 2,684,415,568 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Revenue (continued)

2020

| Reporting segment | Expressway segment | Energy segment | Total |
|-----------------------------------|--------------------|----------------|---------------|
| Major revenue sources | | | |
| Toll income | 1,015,942,884 | — | 1,015,942,884 |
| Construction revenue | 105,616,000 | — | 105,616,000 |
| Revenue from sales of refined oil | — | 902,157,289 | 902,157,289 |
| Other revenue | 673,091 | 169,042 | 842,133 |
| | 1,122,231,975 | 902,326,331 | 2,024,558,306 |
| Timing of revenue recognition | | | |
| At a point in time | | | |
| Toll income | 1,015,942,884 | — | 1,015,942,884 |
| Revenue from sales of refined oil | — | 902,157,289 | 902,157,289 |
| Other revenue | 673,091 | 169,042 | 842,133 |
| Over time | | | |
| Construction revenue | 105,616,000 | — | 105,616,000 |
| | 1,122,231,975 | 902,326,331 | 2,024,558,306 |

Revenue from contracts with customers primarily represents toll income, revenue from operation and management services, revenue from sales of refined oil, construction revenue and revenue from convenience stores.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Revenue (continued)

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

Toll income

Performance obligations are satisfied when customers pass the expressways. Toll payment is settled when customers pass the expressways.

Revenue from sales of refined oil and convenience stores

Revenue is recognised at a point in time when the Group's performance obligations have been satisfied and the control of corresponding commodities has been transferred to customers.

Construction revenue

Performance obligations are satisfied during provision of services, and the contract price shall be settled subject to the contractual agreement.

Revenue from operation and management services

Performance obligations are satisfied within the period of providing operation and management services, and the contract price shall be settled subject to the contractual agreement.

33. Finance expenses

| | 2021 | 2020 |
|--|--------------------|-------------|
| Interest expense | 136,721,789 | 136,438,811 |
| Including: Interest expense on lease liabilities | 2,161,289 | 1,998,187 |
| Less: interest income | 39,008,570 | 26,938,295 |
| Foreign exchange losses | 1,088,985 | 194,118 |
| Others | 1,346,157 | 1,689,432 |
| | 100,148,361 | 111,384,066 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Finance expenses (continued)

A breakdown of interest income is set out below:

| | 2021 | 2020 |
|--|------------|------------|
| Interest income on bank deposits | 38,906,444 | 20,796,944 |
| Interest income on related party borrowings | 102,126 | 99,151 |
| Interest income on discount of long-term compensation receivable | — | 6,042,200 |
| | 39,008,570 | 26,938,295 |

34. Investment income

| | 2021 | 2020 |
|--|------------|------------|
| Long-term equity investment income under equity method | 44,496,113 | 33,034,660 |
| Dividend income from other non-current financial assets held | 334,800 | — |
| | 44,830,913 | 33,034,660 |

35. Credit impairment loss

| | 2021 | 2020 |
|---|-------------|--------------|
| Loss from impairment of accounts receivable | (2,025,195) | (435,496) |
| Loss from impairment of other receivables | — | (45,959,947) |
| | (2,025,195) | (46,395,443) |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Gain on disposal of assets

| | 2021 | 2020 |
|---|------------|-----------|
| Profit or loss on disposal of fixed-assets | 3,160,082 | 1,675,813 |
| Profit or loss on disposal of intangible assets | 32,506,324 | – |
| | 35,666,406 | 1,675,813 |

37. Non-operating income

| | 2021 | 2020 |
|---|------------|------------|
| Income from road property compensation | 3,958,630 | 3,544,942 |
| Income from road occupation | 6,174,945 | 2,348,475 |
| Income from land occupation compensation – deferred | 6,082,213 | 5,241,303 |
| Over-provided tax payments in previous years | 3,349,884 | 13,639,009 |
| Others | 709,451 | 332,583 |
| | 20,275,123 | 25,106,312 |

38. Non-operating expense

| | 2021 | 2020 |
|---------------------------------|-----------|-----------|
| Penalties | 650,788 | – |
| Litigation compensation | 213,173 | 7,103,381 |
| Loss from scrap of fixed assets | 182,620 | 209,720 |
| Others | 224,933 | 95,756 |
| | 1,271,514 | 7,408,857 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Government grants

The Group has government grants calculated on a net basis, and the carrying amount of relevant assets and cost offset is as follows:

| | 2021 | 2020 |
|--------------------------------------|-----------|------------|
| Government grants relating to assets | | |
| Fixed assets offset | – | 47,139,200 |
| Government grants relating to income | | |
| Cost offset | 7,200,000 | 2,332,995 |
| Management fee offset | 1,000,000 | 8,103,598 |
| | 8,200,000 | 57,575,793 |

40. Expenses by nature

The supplementary information for the operating cost, administrative expenses and selling expenses of the Group classified by nature is as follows:

| | 2021 | 2020 |
|--|---------------|---------------|
| Refined oil purchase costs | 1,002,769,147 | 719,153,311 |
| Depreciation and amortisation | 344,648,740 | 329,072,371 |
| Employee benefits | 341,601,223 | 223,636,704 |
| Road maintenance | 57,527,543 | 49,835,132 |
| Cost of convenience stores | 14,265,900 | – |
| Maintenance cost of equipment and facilities | 17,257,213 | 8,689,891 |
| Security funds | 14,403,651 | 8,359,319 |
| Road greening | 13,326,881 | 16,750,115 |
| Office expense | 11,919,028 | 3,487,510 |
| Labor cost | 10,900,067 | 6,809,483 |
| Transportation and vehicle utilisation fees | 5,410,911 | 3,733,056 |
| Agency fees | 4,810,005 | 4,664,931 |
| Toll income settlement service fees | 4,313,166 | 2,164,010 |
| Transportation expense | 4,059,073 | 1,837,621 |
| Auditing fee* | 1,698,113 | 3,108,868 |
| Rental fees | 347,105 | 2,195,780 |
| Construction cost | – | 105,616,000 |
| Others | 13,333,854 | 10,175,023 |
| | 1,862,591,620 | 1,499,289,125 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Income tax expense

Relationship between income tax expense and total profit is as follows:

| | 2021 | 2020 |
|----------------------------|-------------|--------------|
| Current income tax expense | 137,058,073 | 119,687,104 |
| Deferred income tax | 3,648,582 | (70,577,479) |
| | 140,706,655 | 49,109,625 |

Relationship between income tax expense and total profit is as follows:

| | 2021 | 2020 |
|---|--------------|--------------|
| Total profit | 825,765,098 | 424,514,865 |
| Income tax expense at statutory tax rate (Note) | 206,425,751 | 106,128,716 |
| Effect of different tax rates of subsidiaries | (62,951,301) | (26,479,142) |
| Adjustments in respect of current income tax of previous periods | (70,572) | 722,097 |
| Effect on the change in statutory tax rate on opening balance of deferred tax | – | (26,621,791) |
| Share of profit or loss of joint ventures and associates | (9,012,556) | (7,043,232) |
| Income not subject to tax | (50,220) | (1,512,573) |
| Non-deductible expenses | 1,457,805 | 1,954,993 |
| Unrecognised deductible losses | 4,907,748 | 1,960,557 |
| Income tax expense at the Group's effective tax rate | 140,706,655 | 49,109,625 |

Note: The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue.

| | 2021 | 2020 |
|--|----------------------|---------------|
| Net profit attributable to shareholders of the Company | 614,652,615 | 341,381,113 |
| Weighted average number of ordinary shares in issue | 1,656,102,000 | 1,656,102,000 |
| Basic earnings per share | RMB0.37 | RMB0.21 |

The Company did not have potential diluted ordinary shares in 2021 and 2020.

43. Cash flows from operating activities

Adjustment of net profit to cash flows from operating activities

| | 2021 | 2020 |
|--|----------------------|---------------|
| Net profit | 685,058,443 | 375,405,240 |
| Add: Credit impairment loss | 2,025,195 | 46,395,443 |
| Depreciation of fixed assets | 49,253,035 | 56,531,436 |
| Depreciation of right-of-use assets | 7,859,293 | 5,787,886 |
| Amortisation of intangible assets | 287,421,109 | 265,509,943 |
| Amortisation of long-term prepaid expenses | 115,303 | 1,243,106 |
| Gain on disposal of assets | (35,666,406) | (1,675,813) |
| Losses on write-off of fixed assets | 182,620 | 209,720 |
| Finance expenses | 119,161,557 | 130,396,611 |
| Investment loss | (44,830,913) | (33,034,660) |
| Unused specialised reserves | 5,216,958 | 6,273,323 |
| Decrease/ (increase) in deferred tax assets | 2,479,357 | (20,128,288) |
| Increase/ (decrease) in deferred tax liabilities | 1,169,226 | (50,449,191) |
| Decrease/ (increase) in inventories | 8,423,152 | (22,249,697) |
| Increase in service concession rights | – | (105,616,000) |
| Increase in operating receivables | (142,560,363) | (3,254,160) |
| Increase/ (decrease) in operating payables | (130,922,626) | 97,829,673 |
| Others – Government grants received relating to assets | – | 294,869,416 |
| Net cash flows from operating activities | 814,384,940 | 1,044,043,988 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Cash and cash equivalents

| | 2021 | 2020 |
|--|----------------------|---------------|
| Cash | 1,276,119,206 | 1,021,060,352 |
| Including: Cash on hand | 143,880 | 126,672 |
| Bank deposits on demand | 1,274,930,948 | 1,020,115,001 |
| Other monetary funds on demand | 1,044,378 | 818,679 |
| Cash equivalents | 595,962,773 | 738,625,698 |
| Including: Time deposits with maturity within three months | 524,000,000 | 610,590,000 |
| Time deposits with maturity over three months | 71,962,773 | 128,035,698 |
| Balance of cash and cash equivalents at the end of the year | 1,872,081,979 | 1,759,686,050 |
| Less: Time deposits with maturity over three months | 71,962,773 | 128,035,698 |
| Balance of cash and cash equivalents at the end of the year in the consolidated statement of cash flows | 1,800,119,206 | 1,631,650,352 |
| | 2021 | 2020 |
| Closing balance of cash | 1,276,119,206 | 1,021,060,352 |
| Less: Opening balance of cash | 1,021,060,352 | 1,236,302,061 |
| Add: Closing balance of cash equivalents | 595,962,773 | 738,625,698 |
| Less: Opening balance of cash equivalents | 738,625,698 | 438,547,346 |
| Net increase in cash and cash equivalents | 112,395,929 | 84,836,643 |
| Less: Decrease in time deposits with maturity over three months | (56,072,925) | (259,521,648) |
| Net increase in cash and cash equivalents in the consolidated statement of cash flows | 168,468,854 | 344,358,291 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VII. SEGMENT REPORTING

1. Operating segment

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

- (1) the expressway segment is responsible for the operation and management of expressways in mainland China;
- (2) the energy segment is responsible for the operation and management of petrol stations and gas stations in mainland China.

Management 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 total profit from continuing operations. The adjusted total profit from continuing operations is measured consistently with the Group's total profit from continuing operations except that investment income and head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets as they are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and dividends payable as they are managed on a group basis.

2021

| | Expressway segment | Energy segment | Adjustment and eliminations | Total |
|--|-----------------------|-------------------|--------------------------------|---------------|
| Revenue from external customers | 1,495,828,250 | 1,206,542,637 | – | 2,702,370,887 |
| Inter-segment transaction revenue | 1,146,762 | – | (1,146,762) | – |
| External transaction costs | 663,186,102 | 1,022,714,871 | – | 1,685,900,973 |
| Investment income from joint ventures and associates | 21,114,717 | 23,381,396 | – | 44,496,113 |
| Asset impairment loss | 1,982,831 | 42,364 | – | 2,025,195 |
| Depreciation and amortisation | 321,671,623 | 23,448,116 | (470,999) | 344,648,740 |
| Total profit | 677,202,349 | 103,793,929 | 44,768,820 | 825,765,098 |
| Income tax expense | 110,235,899 | 26,822,173 | 3,648,583 | 140,706,655 |
| Total assets | 7,869,952,055 | 1,257,703,279 | 30,083,024 | 9,157,738,358 |
| Total liabilities | 4,212,663,238 | 133,637,184 | 210,005,670 | 4,556,306,092 |
| Other disclosures | | | | |
| Long-term equity investment in joint ventures and associates | 127,666,399 | 260,227,692 | – | 387,894,091 |
| Increase (decrease) in other non-current assets other than long-term equity investment | (275,776,340) | 21,620,847 | (2,479,356) | (256,634,849) |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VII. SEGMENT REPORTING (continued)

1. Operating segment (continued)

2020

| | Expressway segment | Energy segment | Adjustment and eliminations | Total |
|--|-----------------------|-------------------|--------------------------------|---------------|
| Revenue from external customers | 1,134,976,334 | 903,375,729 | – | 2,038,352,063 |
| Inter-segment transaction revenue | 494,651 | – | (494,651) | – |
| External transaction costs | 630,693,869 | 721,096,933 | – | 1,351,790,802 |
| Investment income from joint ventures and associates | 12,154,330 | 20,880,330 | – | 33,034,660 |
| Asset impairment loss | 209,035 | 46,186,408 | – | 46,395,443 |
| Depreciation and amortisation | 301,543,373 | 27,528,998 | – | 329,072,371 |
| Total profit | 314,461,400 | 77,018,805 | 33,034,660 | 424,514,865 |
| Income tax expense | 91,407,591 | 28,279,513 | (70,577,479) | 49,109,625 |
| Total assets | 7,954,881,525 | 1,079,963,366 | 32,562,381 | 9,067,407,272 |
| Total liabilities | 4,591,925,098 | 102,341,638 | 201,232,926 | 4,895,499,662 |
| Other disclosures | | | | |
| Long-term equity investment in joint ventures and associates | 118,218,264 | 182,057,238 | – | 300,275,502 |
| Increase (decrease) in other non-current assets other than long-term equity investment | (185,888,064) | 4,373,652 | 20,128,288 | (161,386,124) |

2 Other information

Information about products and services

Revenue from external customers

| | 2021 | 2020 |
|--|---------------|---------------|
| Toll income | 1,413,912,681 | 1,015,942,884 |
| Revenue from sales of refined oil | 1,182,382,524 | 902,157,289 |
| Construction revenue | – | 105,616,000 |
| Revenue from operation and management services | 67,095,217 | – |
| Revenue from convenience stores | 16,622,421 | – |
| Rental income | 17,955,319 | 13,793,757 |
| Others | 4,402,725 | 842,133 |
| | 2,702,370,887 | 2,038,352,063 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VII. SEGMENT REPORTING (continued)

2 Other information (continued)

Geographical information

The Group's revenue is generated from and its non-current assets are located in Mainland China to the exception of financial assets and deferred tax assets.

Information about major customers

The Group has a diverse customer base and no revenue derived from a single customer contributed to 10% or more of the total revenue of the Group.

VIII. FINANCIAL INSTRUMENTS AND RISKS

1. Classification of financial instruments

Set out below is the carrying amount of different kinds of financial instruments as at the balance sheet date:

2021

Financial assets

| | Financial assets at fair value through profit or loss | Financial assets at amortised cost | Total |
|------------------------------------|--|--|---------------|
| Currency funds | – | 1,887,351,380 | 1,887,351,380 |
| Accounts receivable | – | 144,714,700 | 144,714,700 |
| Other receivables | – | 59,693,549 | 59,693,549 |
| Long-term receivables | – | 2,150,000 | 2,150,000 |
| Other non-current financial assets | 13,950,700 | – | 13,950,700 |
| | 13,950,700 | 2,093,909,629 | 2,107,860,329 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VIII. FINANCIAL INSTRUMENTS AND RISKS (continued)

1. Classification of financial instruments (continued)

Financial liabilities

| | Financial liabilities at amortised cost |
|-------------------------------|---|
| Accounts payable | 842,544,627 |
| Other payables | 201,858,227 |
| Long-term borrowings | 2,968,000,000 |
| Other non-current liabilities | 82,824,270 |
| Lease liabilities | 45,621,522 |
| | 4,140,848,646 |

2020

Financial assets

| | Financial assets at fair value through profit or loss | Financial assets at amortised cost | Total |
|------------------------------------|---|------------------------------------|----------------------|
| Currency funds | – | 1,759,686,050 | 1,759,686,050 |
| Accounts receivable | – | 68,616,554 | 68,616,554 |
| Other receivables | – | 12,531,257 | 12,531,257 |
| Long-term receivables | – | 1,720,000 | 1,720,000 |
| Other non-current assets | – | 15,269,400 | 15,269,400 |
| Other non-current financial assets | 500,000 | – | 500,000 |
| | 500,000 | 1,857,823,261 | 1,858,323,261 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VIII. FINANCIAL INSTRUMENTS AND RISKS (continued)

1. Classification of financial instruments (continued)

Financial liabilities

| | Financial liabilities at amortised cost |
|-------------------------------|--|
| Accounts payable | 927,658,950 |
| Other payables | 229,942,691 |
| Long-term borrowings | 3,182,500,000 |
| Other non-current liabilities | 81,767,954 |
| Lease liabilities | 47,477,780 |
| | 4,469,347,375 |

2. Risks of financial instruments

The major risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. In this regard, the Group's risk management policies are outlined below.

Credit risk

There is no significant credit concentration risk for the Group.

The maximum credit risk exposure of the Group's financial assets equals to their carrying amounts.

Criteria for judging significant increases in credit risk

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition at each balance sheet date. While determining whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the default risk of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VIII. FINANCIAL INSTRUMENTS AND RISKS *(continued)*

2. Risks of financial instruments *(continued)*

Credit risk (continued)

Criteria for judging significant increases in credit risk (continued)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly comprise the circumstance that at the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition;
- Qualitative criteria mainly comprise significant adverse change in debtor's operation or financial status, and being listed on the watch-list etc.;
- The backstop criteria is that the debtor's contract payment (including principal and interest) is overdue for more than 30 days.

Parameters of expected credit loss (ECL) measurement

According to whether there is a significant increase in credit risk and whether there is a credit impairment, the Group measures the impairment losses for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relevant definitions are as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the historical credit loss, taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VIII. FINANCIAL INSTRUMENTS AND RISKS *(continued)*

2. Risks of financial instruments *(continued)*

Credit risk (continued)

Parameters of expected credit loss (ECL) measurement *(continued)*

- EAD is the amount that the Group should be reimbursed at the time of default in the next 12 months or throughout the entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various types of businesses.

Definition of credit-impaired assets

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- significant financial difficulty of the issuer or the debtor;
- a breach of contract by the debtor, such as default or overdue payment of interest or principal
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulty of the issuer or the debtor;
- the purchase or origination of a financial asset at a substantial discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily caused by a single event.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VIII. FINANCIAL INSTRUMENTS AND RISKS (continued)

2. Risks of financial instruments (continued)

Credit risk (continued)

2021

| | Expected credit loss in the next 12 months Stage 1 | Lifetime expected credit loss | | | Total |
|---------------------|---|-------------------------------|------------|-------------------------------|------------|
| | | Stage 2 | Stage 3 | Simplified measurement method | |
| Accounts receivable | — | — | — | 2,465,455 | 2,465,455 |
| Other receivables | — | — | 47,583,460 | — | 47,583,460 |
| | — | — | 47,583,460 | 2,465,455 | 50,048,915 |

2020

| | Expected credit loss in the next 12 months Stage 1 | Lifetime expected credit loss | | | Total |
|---------------------|---|-------------------------------|------------|-------------------------------|------------|
| | | Stage 2 | Stage 3 | Simplified measurement method | |
| Accounts receivable | — | — | — | 440,260 | 440,260 |
| Other receivables | — | — | 47,595,780 | — | 47,595,780 |
| | — | — | 47,595,780 | 440,260 | 48,036,040 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VIII. FINANCIAL INSTRUMENTS AND RISKS (continued)

2. Risks of financial instruments (continued)

Liquidity risk

The Group's objective is to meet the liquidity requirements by maintaining sufficient capital and credit lines. The Group funds its operations by revenue from its operating activities and borrowings.

The maturity analysis of the financial liabilities based on the contractual undiscounted cash flows, is as follows:

2021

| | Repayment on demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|----------------------------------|------------------------|-----------------------|----------------|---------------|---------------|---------------|
| Non-current liabilities | | | | | | |
| due within one year | – | 37,922,256 | 322,047,994 | – | – | 359,970,250 |
| Accounts payable | 806,161,665 | 34,715,045 | – | 1,667,917 | – | 842,544,627 |
| Other payables | 158,499,695 | 16,163,829 | 27,194,703 | – | – | 201,858,227 |
| Long-term borrowings | – | – | – | 1,415,209,254 | 2,043,214,128 | 3,458,423,382 |
| Other non-current liabilities | – | – | – | 87,737,028 | – | 87,737,028 |
| Lease liabilities | – | 1,653,905 | 8,958,307 | 23,750,625 | 20,631,484 | 54,994,321 |
| | 964,661,360 | 90,455,035 | 358,201,004 | 1,528,364,824 | 2,063,845,612 | 5,005,527,835 |

2020

| | Repayment on demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|----------------------------------|------------------------|-----------------------|----------------|---------------|---------------|---------------|
| Non-current liabilities | | | | | | |
| due within one year | – | 70,299,247 | 281,141,083 | – | – | 351,440,330 |
| Accounts payable | 853,304,566 | 68,082,460 | – | 6,271,924 | – | 927,658,950 |
| Other payables | 185,776,244 | 12,025,478 | 32,140,969 | – | – | 229,942,691 |
| Long-term borrowings | – | – | – | 1,481,685,936 | 2,354,267,775 | 3,835,953,711 |
| Other non-current liabilities | – | – | – | 89,080,734 | – | 89,080,734 |
| Lease liabilities | – | 1,185,480 | 7,431,492 | 25,412,663 | 24,836,352 | 58,865,987 |
| | 1,039,080,810 | 151,592,665 | 320,713,544 | 1,602,451,257 | 2,379,104,127 | 5,492,942,403 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

VIII. FINANCIAL INSTRUMENTS AND RISKS (continued)

2. Risks of financial instruments (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's borrowings with floating interest rates. The Group manages interest rate risk by closely monitoring changes in interest rates and reviewing its borrowings on a regular basis.

Foreign exchange rate risk

As the Group primarily operates in mainland China and the majority of its businesses are settled in Renminbi, it is not exposed to material foreign exchange rate risk.

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, to provide returns for the shareholders and to optimise its capital structure in order to minimise the costs of capital.

The Group manages its capital structure and makes adjustment in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or dispose of assets to reduce liabilities. No changes were made in the objectives, policies or processes for capital management in 2021 and 2020.

The Group adopts gearing ratio for capital management, which represents the ratio of net liabilities and shareholders' equity plus net liabilities. Net liabilities include accounts payable, contract liabilities, employee benefits payable, taxes and surcharges payable, other payables, non-current liabilities due within one year, lease liabilities, other non-current liabilities and long-term borrowings less cash and cash equivalents. The leverage ratio of the Group as at the balance sheet date is as follows:

| | 2021 | 2020 |
|---------------|------|------|
| Gearing ratio | 34% | 40% |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

IX. FAIR VALUES

1. Fair value of financial instruments

The management has assessed that the fair values of currency funds, accounts receivable and accounts payable equal to their carrying amounts largely due to the short-term maturities of these instruments.

The following is the carrying amount and fair value of financial instruments except for lease liabilities and the financial instruments for which the difference between the carrying amount and fair value is immaterial:

| | 31 December 2021 | | 31 December 2020 | |
|---------------------------------------|------------------|---------------|-----------------------------|------------------------|
| | Carrying amount | Fair value | Carrying amount Restated | Fair value Restated |
| Financial assets | | | | |
| Other non-current financial assets | 13,950,700 | 13,950,700 | 500,000 | 500,000 |
| Long-term receivables | 2,150,000 | 2,150,000 | 1,720,000 | 1,720,000 |
| Financial liabilities | | | | |
| Long-term borrowings | 2,732,000,000 | 2,627,155,767 | 2,968,000,000 | 2,851,409,266 |
| Other non-current liabilities | 82,824,270 | 78,860,462 | 81,767,954 | 75,991,184 |

The finance department of the Group is led by the chief financial officer and is responsible for formulating policies and procedures for measuring the fair values of financial instruments. On each balance sheet date, the financial department analyses the changes in the value of financial instruments and determines the main input applicable to valuation. The valuation is subject to review and approval by the chief financial officer.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction, other than in a forced or liquidation sale. The following methods and assumptions are used in estimating fair value.

The fair values of the long-term borrowings and other non-current liabilities are determined using discount cash flows, at rates equal to market yield of other financial instruments with similar contract terms, credit risks and remaining term. As at 31 December 2021, non-performance risks underlying long-term borrowings and other non-current liabilities were appraised as immaterial.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

IX. FAIR VALUES *(continued)*

2. Fair value hierarchy

The fair value hierarchy of the non-current portion of the Group's financial assets and financial liabilities whose fair value has been disclosed is regarded as Level 3, which requires a substantial number of unobservable inputs as at the end of the reporting period. The fair value hierarchy of other non-current financial assets at fair value through profit or loss requires considerable unobservable inputs (Level 3). The significant unobservable inputs used in fair value measurement are the price-to-earnings ratio and liquidity discount of comparable listed companies. With all other variables remaining unchanged, it is estimated that an increase/ (decrease) of price-to-earnings ratio and a decrease/ (increase) of liquidity discount will lead to an increase/ (decrease) of fair value of financial assets at fair value through profit or loss.

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Criteria of related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties.

- (1) Parent company of the Company;
- (2) Subsidiaries of the Company;
- (3) Other enterprises under common control by the parent company;
- (4) The investor with common control over the Company;
- (5) The investor with significant influence over the Company;
- (6) Joint ventures of the Group;
- (7) Associates of the Group;
- (8) Major individual investors of the Company and their close family members;
- (9) Key management personnel of the Company or the parent companies and their close family members;
- (10) Other enterprises under the control or common control of the Company's major individual investors, key management personnel or their close family members;

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

1. Criteria of related parties (continued)

- (11) Joint ventures or associates of other members (including parent company and subsidiaries) within the same group as the Company.
- (12) Joint ventures or associates of enterprises that exercise common control over the Company.
- (13) Joint ventures of enterprises with significant influence over the Company.

Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

2. Parent company and subsidiaries

| Name of the parent company | Place of registration | Nature of business | Shareholding proportion in the Company | Voting rights proportion in the Company | Registered capital |
|---------------------------------|-----------------------|--|--|---|--------------------|
| Chengdu Expressway Construction | Chengdu | Investment in, construction, operation and management of transportation infrastructure | 54.34% | 54.34% | 736,147,000 |

The ultimate controller of the Company is Chengdu Communications Investment.

Details of the subsidiaries of the Company are set out in 1 of Note V.

3. Other related parties

| | Related party relationship |
|--|---|
| Chengdu Transportation Junction Construction Management Co., Ltd ("Chengdu Transportation Junction") | Under common control of Chengdu Communications Investment |
| Chengdu Communications Assets Management Co., Ltd. ("Communications Assets Management") | Under common control of Chengdu Communications Investment |
| Chengdu Road and Bridge Management Co., Ltd. ("Chengdu Road & Bridge") | Under common control of Chengdu Expressway Construction |
| Chengdu Jiuhe | An associate of a subsidiary |
| Zhongyou Jieneng | An associate of a subsidiary |
| Huaguan Industrial | A non-controlling shareholder of a subsidiary |
| Chengdu Petroleum | A subsidiary of Huaguan Industrial |
| PetroChina Company Limited ("PetroChina") | A non-controlling shareholder of a subsidiary |
| PetroChina Company Limited Sichuan Chengdu Sales Branch ("PetroChina Chengdu Sales Branch") | A branch of PetroChina |
| Sinkiang CNPC Build Install Engineering Co., Ltd ("Sinkiang CNPC") | A company controlled by PetroChina |
| Yanchang Shell (Sichuan) Petroleum Co., Ltd. ("Yanchang Shell") | A non-controlling shareholder of a subsidiary |
| Chengdu Communications Information Port Co., Ltd. ("Information Port Company") | Under common control of Chengdu Communications Investment |
| Chengdu Communications Investment Shancheng Industrial Co., Ltd. ("Chengdu Communications Investment Shancheng") | Under common control of Chengdu Communications Investment |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

3. Other related parties *(continued)*

Although Huaguan Industrial and Yanchang Shell are non-controlling shareholders of a subsidiary of the Group, the Group deemed them as related parties as the Group conducted major transactions with them. On 13 August 2021, the non-controlling shareholder of Communications Investment Energy, a subsidiary of the Group, was changed from Huaguan Industrial to Yanchang Shell. Since then, Huaguan Industrial and Chengdu Petroleum, its subsidiary, ceased to be related parties of the Group, and Yanchang Shell became a related party of the Group.

4. Major transactions between the Group and related parties

(1) Sale of refined oil to a related party

| | 2021 Amount | 2020 Amount |
|--------------------|----------------|----------------|
| Huaguan Industrial | 42,363 | 14,185 |

The management is of the view that the price of refined oil charged to Huaguan Industrial determined according to the purchase agreement is based on market price.

(2) Purchase of commodities from related parties

| | 2021 Amount | 2020 Amount |
|---------------------------------|----------------|----------------|
| Yanchang Shell | 228,018 | — |
| PetroChina Chengdu Sales Branch | 647,410,759 | 507,196,725 |
| | 647,638,777 | 507,196,725 |

The management is of the view that the purchase price charged by PetroChina Chengdu Sales Branch and Yanchang Shell determined according to the purchase agreement is based on market price.

(3) Interest expense paid to related parties

| | 2021 Amount | 2020 Amount |
|-----------------------------------|----------------|----------------|
| Chengdu Communications Investment | 853,667 | — |
| Chengdu Expressway Construction | 1,056,315 | 10,835,568 |
| | 1,909,982 | 10,835,568 |

The management is of the view that interest paid to Chengdu Communications Investment and Chengdu Expressway Construction determined according to borrowing agreements is based on the market interest rate of similar borrowings.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

4. Major transactions between the Group and related parties *(continued)*

(4) Interest income from related party borrowings

| | 2021 Amount | 2020 Amount |
|---------------|----------------|----------------|
| Chengdu Jiuhe | 102,126 | 99,151 |

The management is of the view that interest charged to Chengdu Jiuhe determined according to the borrowing agreement is based on the market interest rate of similar borrowings.

(5) Acceptance of property leasing services from a related party

| | 2021 Amount | 2020 Amount |
|---------------------------------|----------------|----------------|
| Chengdu Transportation Junction | 5,083,207 | 2,159,780 |

The management is of the view that office rental charged by Chengdu Transportation Junction according to the leasing agreement is based market price of similar office buildings in similar locations.

Upon adoption of the new leasing standards, certain contracts with Chengdu Transportation Junction were measured as right-of-use assets. In 2021, the Group paid rental of RMB4,819,115 (2020: RMB1,874,804) to Chengdu Transportation Junction.

(6) Purchase of assets

| | 2021 Amount | 2020 Amount |
|--------------------------|----------------|----------------|
| Information Port Company | 8,399,969 | — |

The management is of the view that the price at which the Group purchased fixed assets from Information Port Company is based on the market price of similar fixed assets.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

4. Major transactions between the Group and related parties *(continued)*

(7) Borrowings from a related party

| | 2021 Amount | 2020 Amount |
|-----------------------------------|----------------|----------------|
| Chengdu Communications Investment | 40,000,000 | – |

In June 2021, Energy Operation, a subsidiary of the Company, borrowed RMB40,000,000 from Chengdu Communications Investment for a term of one year and at annual interest rate of 3.9%. Interest thereof shall be paid on a quarterly basis and the principal shall be paid in one lump sum upon maturity.

(8) Acceptance of property management and other services from related parties

| | 2021 Amount | 2020 Amount |
|----------------------------------|----------------|----------------|
| Communications Assets Management | 2,431,970 | 3,026,507 |
| Chengdu Transportation Junction | 203,866 | 286,956 |
| | 2,635,836 | 3,313,463 |

The management is of the view that the property management and other general services fees payable by the Group to Communications Assets Management and Chengdu Transportation Junction according to the property management and other general services agreements are based on the market price of similar services in similar locations.

(9) Acquisition of equity interests from related parties

| | Note | 2021 Amount | 2020 Amount |
|-----------------------------------|------|----------------|----------------|
| Chengdu Communications Investment | (i) | – | 727,570,000 |
| Chengdu Transportation Junction | (ii) | – | 47,084,000 |
| | | – | 774,654,000 |

(i) Based on the valuation of the equity interests of Energy Development Company conducted by an independent valuer, the Company determined the consideration for acquisition of 94.49% equity interests in Energy Development Company after arm's-length negotiations with Chengdu Communications Investment in 2020.

(ii) Based on the valuation of the equity interests of Zhongyou Jieneng conducted by an independent valuer, the Company determined the consideration for acquisition of 47.49% equity interests in Zhongyou Jieneng after arm's-length negotiations with Chengdu Transportation Junction in 2020.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

4. Major transactions between the Group and related parties *(continued)*

(10) Construction compensation from related parties

| | 2021 Amount | 2020 Amount |
|--------------------------|----------------|----------------|
| Information Port Company | 5,561,041 | – |
| Chengdu Road & Bridge | – | 1,903,388 |
| | 5,561,041 | 1,903,388 |

In 2021, Information Port Company entered into the expressway intelligent management and control system construction compensation agreement with Chengdu Airport Expressway Company and Chengguan Expressway Company, pursuant to which, Information Port Company shall pay compensation of RMB956,199 and RMB4,604,842 to Chengdu Airport Expressway Company and Chengguan Expressway Company, respectively to make compensations for the impact caused to the toll income of Chengdu Airport Expressway Company and Chengguan Expressway Company during construction.

On 14 October 2019, Chengdu Airport Expressway Company and Chengdu Road & Bridge entered into the Construction Compensation Agreement regarding the occupation, demolition and compensation for the renovation project of the Blue Sky Interchange (藍天立交) node involved in the 3rd Ring Road expansion and upgrading project, pursuant to which, Chengdu Road & Bridge paid Chengdu Airport Expressway Company RMB1,903,388 in 2020 as compensation of temporary occupation, demolition of pedestrian overpasses and appurtenances and safety monitoring and construction coordination fee, so as to compensate Chengdu Airport Expressway Company for the impact on its toll income during the construction period.

(11) Acceptance of guarantees provided by a related party

| | 2021 Amount | 2020 Amount |
|-----------------------------------|----------------|----------------|
| Chengdu Communications Investment | 1,710,000,000 | 1,767,500,000 |

The guarantee was provided by Chengdu Communications Investment at nil consideration.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

4. Major transactions between the Group and related parties *(continued)*

(12) Lease to a related party

| | 2021 Amount | 2020 <i>Amount</i> |
|------------------|-----------------------|-----------------------|
| Zhongyou Jieneng | 2,358,857 | – |

The management is of the view that the rentals charged to Zhongyou Jieneng by the Group are based on market price of rentals of similar locations.

(13) Provision of service to a related party

| | 2021 Amount | 2020 <i>Amount</i> |
|-----------------------------------|-----------------------|-----------------------|
| Chengdu Communications Investment | 1,441,188 | – |

The management is of the view that the agency construction management fee charged to Chengdu Communications Investment pursuant to the entrusted management agreement is based on market price.

(14) Other related party transactions

| | 2021 Amount | 2020 <i>Amount</i> |
|--|-----------------------|-----------------------|
| Remuneration of key management members | 5,541,404 | 4,988,079 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

5. Undertakings between the Group and a related party

| | 2021 Amount | 2020 Amount |
|--------------------|----------------|----------------|
| Equity acquisition | 60,902,400 | — |

On 30 December 2021, Energy Development Company and Chengdu Communications Investment Shancheng entered into the equity transfer agreement, pursuant to which, Energy Development Company shall acquire the 16% equity interests in Chengdu Teld New Energy Co., Ltd. (成都特來電新能源有限公司) ("Teld") held by Chengdu Communications Investment Shancheng at a consideration of RMB60,902,400. As of 31 December 2021, the equity transfer has not been completed. The transaction was completed in January 2022. Energy Development Company appointed one director (a total of 5 directors in the board of directors) to participate in the operational decision-making process of Teld. As the Group exercises significant control over the operation of Teld, it thus was accounted for as an associate of the Group.

6. Balance of amounts receivable from and payable to related parties

(1) Other receivables

| | 2021 | 2020 |
|--|------------|------------|
| Communications Assets Management | 199,047 | 162,407 |
| Chengdu Petroleum | 45,750,912 | 45,750,912 |
| Zhongyou Jieneng | 2,476,800 | — |
| | 48,426,759 | 45,913,319 |
| Less: Provision for bad debts of other receivables | 45,750,912 | 45,750,912 |
| | 2,675,847 | 162,407 |

(2) Other payables

| | 2021 | 2020 |
|-----------------------------------|------------|------|
| Chengdu Communications Investment | 56,294,390 | — |
| Yanchang Shell | 10,032,938 | — |
| | 66,327,328 | — |

The term and interest rate of the borrowing of RMB40,000,000 provided to the Group by Chengdu Communications Investment are detailed in Note X.4(7).

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

6. Balance of amounts receivable from and payable to related parties *(continued)*

(3) Accounts receivable

| | 2021 | 2020 |
|--|---------|---------|
| Huaguan Industrial | 474,458 | 432,094 |
| Less: Provision for bad debts of accounts receivable | 474,458 | 432,094 |
| | — | — |

(4) Prepayments

| | 2021 | 2020 |
|---------------------------------|------------|------------|
| PetroChina Chengdu Sales Branch | 41,190,578 | 21,857,922 |

(5) Other non-current assets

| | 2021 | 2020 |
|--|-----------|-----------|
| Chengdu Jiuhe | 2,150,000 | 2,150,000 |
| Less: Non-current assets due within one year | — | 430,000 |
| | 2,150,000 | 1,720,000 |

The term and interest rate of the borrowing between the Group and Chengdu Jiuhe are detailed in Note VI.(7).

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

6. Balance of amounts receivable from and payable to related parties *(continued)*

(6) Other non-current liabilities

| | 2021 | 2020 |
|---------------------------------|-------------------|------------|
| Chengdu Expressway Construction | 82,824,270 | 81,767,954 |

The term and interest rate of the borrowing between the Group and Chengdu Expressway Construction are detailed in Note VI.26.

(7) Lease liabilities

| | 2021 | 2020 |
|---------------------------------|-------------------|------------|
| Chengdu Transportation Junction | 12,469,788 | 11,703,572 |

Other than the interest-bearing borrowings disclosed in 6(2), 6(5) and 6(6) above, other receivables from and payables to related parties are non-interest-bearing, unsecured and have no fixed terms of repayment.

The related party transactions specified in 4(2), 4(5) and 4(7) above also constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.*

XI. CONTINGENT LIABILITIES

On 14 August 2014, Energy Development Company issued the "Letter of Undertakings on Solving Project Lands for Communications Investment Energy" to Huaguan Industrial, the then non-controlling shareholder of Communications Investment Energy, to the effect that Energy Development Company was going through land procedures for one petrol station (No. 3 station), and land construction procedures of one petrol station and one gas station through replacement. Upon issuance of the letter of undertakings, despite several rounds of resolution between the parties, the land procedures for the petrol stations and gas station failed to be completed. Based on the above situation, Huaguan Industrial filed a lawsuit against Energy Development Company to the People's Court of Chengdu High-tech Industrial Development Zone in Sichuan Province in January and August 2021, respectively, demanding Energy Development Company to 1) complete the construction land procedures for No. 3 station and help Communications Investment Energy to complete the state-owned land procedures; 2) identify lands for construction of one petrol station and one gas station within the administrative jurisdiction of Chengdu, and help Communications Investment Energy to complete the state-owned land procedures; and 3) compensate Huaguan Industrial for economic loss of RMB36,876,367.

As of the date of approval of these financial statements, the case has been transferred to Chengdu Intermediate People's Court. Up to now, the court has not made a judgment, and the time for the resumption of the court has not been determined. The management, based on the advice of the legal adviser, considers that Energy Development Company has a legitimate defense against the lawsuit, and the case will probably be ruled in favor of Energy Development Company. In conclusion, the management did not make provision in this regard.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XII. LEASE

1. As lessor

The Group leases out certain buildings and the operating rights of service areas and petrol stations for a term ranging from one year to 20 years, which constitute operating lease. In 2021, the Group generated rental income of RMB17,955,319 (2020: RMB13,793,757). Please refer to Note VI.32.

Pursuant to the lease contract entered into with the lessee, the minimum lease payment of non-cancellable lease is as follows:

| | 2021 | 2020 |
|----------------------------------|-------------------|------------|
| Within 1 year (including 1 year) | 4,399,290 | 3,043,792 |
| 1 to 2 years (including 2 years) | 3,669,842 | 2,485,279 |
| 2 to 3 years (including 3 years) | 3,632,954 | 2,362,979 |
| 3 to 4 years (including 4 years) | 2,964,418 | 2,319,708 |
| 4 to 5 years (including 5 years) | 1,680,680 | 396,900 |
| Over 5 years | 6,555,132 | 1,752,975 |
| | 22,902,316 | 12,361,633 |

2. As lessee

| | 2021 | 2020 |
|---|------------------|-----------|
| Interest expense on lease liabilities | 2,161,289 | 1,998,187 |
| Short-term lease expense under simplified approach through profit or loss | 347,105 | 2,195,780 |
| Total cash outflow in relation to leases | 9,675,542 | 8,414,327 |

Assets leased by the Group include buildings and land use right in the course of operation, of which the lease term for buildings and land use right generally ranges from one to ten years and 6.5 to 19.5 years, respectively.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XII. LEASE (continued)

2. As lessee (continued)

Other lease information

For details of right-of-use assets, please refer to Note VI.12; for simplified approach regarding short-term lease and low-value asset leases, please refer to Note III.23; and for details of lease liabilities, please refer to Note VI.25.

XIII. COMMITMENTS

| | 2021 | 2020 |
|---------------------|-------------|------------|
| Capital commitments | 169,408,610 | 40,436,563 |

XIV. REMUNERATIONS OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES*

1. Remunerations of directors and supervisors

Remunerations of directors and supervisors during the year are disclosed as follows:

| | 2021 | 2020 |
|------------------------------------|-----------|-----------|
| Fees | 270,000 | 270,000 |
| Other emoluments: | | |
| Salaries, allowances and subsidies | 2,398,625 | 2,216,681 |
| Bonus | 1,012,696 | 479,322 |
| Pension insurance | 214,620 | 15,234 |
| | 3,895,941 | 2,981,237 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XIV. REMUNERATIONS OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (continued)

1. Remunerations of directors and supervisors (continued)

The names of the directors and supervisors and their remunerations during the year are as follows:

2021

| | Fees | Salaries, allowances and subsidies | Bonus | Pension insurance | Total |
|---------------------------------------|----------------|---|------------------|----------------------|------------------|
| Directors-Executive directors: | | | | | |
| Zhang Dongmin | – | 434,009 | 235,108 | 35,770 | 704,887 |
| Wang Xiao | – | 447,888 | 226,855 | 35,770 | 710,513 |
| Luo Dan | – | 406,845 | 201,226 | 35,770 | 643,841 |
| Yang Tan | – | 452,406 | 102,850 | 35,770 | 591,026 |
| Directors-Non-executive directors: | | | | | |
| Xiao Jun | – | – | – | – | – |
| Yang Bin | – | – | – | – | – |
| Supervisors: | | | | | |
| Jiang Yan | – | – | – | – | – |
| Zhang Yi | – | – | – | – | – |
| Wu Haiyan | – | – | – | – | – |
| Xu Jingxian | – | 330,283 | 124,430 | 35,770 | 490,483 |
| Zhang Jian | – | 327,194 | 122,227 | 35,770 | 485,191 |
| Independent directors: | | | | | |
| Shu Wa Tung, Laurence | 150,000 | – | – | – | 150,000 |
| Ye Yong | 60,000 | – | – | – | 60,000 |
| Li Yuanfu | 60,000 | – | – | – | 60,000 |
| Total | 270,000 | 2,398,625 | 1,012,696 | 214,620 | 3,895,941 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XIV. REMUNERATIONS OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (continued)

1. Remunerations of directors and supervisors (continued)

2020

| | Fees | Salaries, allowances and subsidies | Bonus | Pension insurance | Total |
|---------------------------------------|---------|---|---------|----------------------|-----------|
| Directors-Executive directors: | | | | | |
| Zhang Dongmin | – | 405,779 | 86,455 | 2,589 | 494,823 |
| Wang Xiao | – | 418,695 | 128,896 | 2,589 | 550,180 |
| Luo Dan | – | 377,339 | 85,864 | 2,589 | 465,792 |
| Tang Fawei | – | 135,557 | 90,944 | 2,589 | 229,090 |
| Yang Tan | – | 284,390 | – | – | 284,390 |
| Directors-Non-executive directors: | | | | | |
| Xiao Jun | – | – | – | – | – |
| Yang Bin | – | – | – | – | – |
| Supervisors: | | | | | |
| Jiang Yan | – | – | – | – | – |
| Zhang Yi | – | – | – | – | – |
| Pan Xin | – | – | – | – | – |
| Wu Haiyan | – | – | – | – | – |
| Xu Jingxian | – | 301,269 | 42,211 | 2,471 | 345,951 |
| Zhang Jian | – | 293,652 | 44,952 | 2,407 | 341,011 |
| Independent directors: | | | | | |
| Shu Wa Tung, Laurence | 150,000 | – | – | – | 150,000 |
| Ye Yong | 60,000 | – | – | – | 60,000 |
| Li Yuanfu | 60,000 | – | – | – | 60,000 |
| Total | 270,000 | 2,216,681 | 479,322 | 15,234 | 2,981,237 |

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year. No emoluments were paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XIV. REMUNERATIONS OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID EMPLOYEES (continued)

2. Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group during the year is as follows:

Number of employees

| | 2021 | 2020 |
|---------------------------------|------|------|
| Directors | 4 | 3 |
| Non-director and non-supervisor | 1 | 2 |
| | 5 | 5 |

Details of the directors' and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

| | 2021 | 2020 |
|------------------------------------|---------|-----------|
| Salaries, allowances and subsidies | 410,886 | 803,872 |
| Bonuses | 201,692 | 219,985 |
| Pension scheme contributions | 35,770 | 5,177 |
| | 648,348 | 1,029,034 |

Remunerations of the above non-director and non-supervisor, highest paid employees during the year and prior year were below RMB1,000,000.

XV. EVENTS AFTER THE BALANCE SHEET DATE

There are no events occurring after the balance sheet date subject to disclosure in the current year.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XVI. OTHER IMPORTANT EVENTS

Swap of non-monetary assets

Communications Investment Energy, a subsidiary of the Group, entered into the land swap agreement with local government to swap the land with an area of 2,686 square meters located in Tongpai Village, Guixi Street, South Park of the High-tech Zone (Cheng Gao Guo Yong (2012) No.24926) with the land with an area of 2,686 square meters in Group 7 and 8 of Hongwa Community, Guixi Street, High-tech Zone. The remaining period of the land use right of the plots of land swapped out and in is 30.09 years and 40 years, respectively. Since the land acquired after swap has a longer land use right, and is able to generate more revenue streams, such exercise complies with Accounting Standards for Business Enterprises No. 7 – Swap of non-monetary assets in relation to significant differences in risks, time and amount of cash flows between assets swapped in and out, it constitutes swap of non-monetary assets with commercial essence. As of the date of land transfer, the net book value of the land use right of the land swapped out was RMB9,840,358 (including original carrying amount of RMB12,871,030, and accumulated depreciation provision of RMB3,030,672), and based on the valuation of the fair values of the two plots of land conducted by Chengdu Land Planning Cadastral Affairs Centre, the fair values of the land use rights of land swapped out and in were RMB32,535,881 and RMB34,451,021, respectively.

For the purpose of the non-monetary asset swap, Communications Investment Energy recorded the difference between the fair value and carrying amount of the land swapped out of RMB22,695,523 in asset disposal income, and recorded the fair value of the land swapped out plus the land premium of RMB1,915,140, totaling RMB34,451,021 as the cost for land swap.

XVII. NOTES TO KEY COMPONENTS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Accounts receivable

Credit term of accounts receivable generally ranges from one to three months, and accounts receivable are non-interest-bearing.

Aging analysis of accounts receivable is set out below:

| | 2021 | 2020 |
|--|------------|------------|
| Within 1 year | 10,434,190 | 11,326,299 |
| Less: Provision for bad debts of accounts receivable | — | — |
| | 10,434,190 | 11,326,299 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XVII. NOTES TO KEY COMPONENTS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other receivables

Aging analysis of other receivables is set out below:

| | 2021 | 2020 |
|--|-------------|-------------|
| Within 1 year | 67,762,619 | 99,340,376 |
| Within 1 to 2 years | 93,438,860 | 95,833 |
| Within 2 to 3 years | 326 | 218,695 |
| Over 3 years | 609,541 | 534,235 |
| | 161,811,346 | 100,189,139 |
| Less: Provision for bad debts of other receivables | 520,315 | 532,635 |
| | 161,291,031 | 99,656,504 |

The movements of bad debt allowance on other receivables based on 12-month expected credit loss and the lifetime expected credit loss, respectively, are as follows:

2021

| | Stage 1 Expected credit loss in the next 12 months | Stage 2 Lifetime expected credit loss | Stage 3 Credit impaired financial assets (Lifetime expected credit loss) | Total |
|-------------------------|---|--|---|---------|
| Opening balance | – | – | 532,635 | 532,635 |
| Written-off in the year | – | – | 12,320 | 12,320 |
| Closing balance | – | – | 520,315 | 520,315 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XVII. NOTES TO KEY COMPONENTS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

2. Other receivables (continued)

2020

| | Stage 1 Expected credit loss in the next 12 months | Stage 2 Lifetime expected credit loss | Stage 3 Credit impaired financial assets (Lifetime expected credit loss) | Total |
|-------------------------|---|--|---|---------|
| Opening balance | — | — | 562,264 | 562,264 |
| Written-off in the year | — | — | 29,629 | 29,629 |
| Closing balance | — | — | 532,635 | 532,635 |

3. Long-term equity investments

| | 2021 | 2020 |
|------------------------------------|----------------------|---------------|
| Cost method | | |
| Chengwenqiong Expressway Company | 755,552,237 | 755,552,237 |
| Chengpeng Expressway Company | 680,935,944 | 678,884,470 |
| Chengdu Airport Expressway Company | 201,484,177 | 201,484,177 |
| Chengming Expressway Company | 426,175,447 | 426,175,447 |
| Operation Company | 20,000,000 | 20,000,000 |
| Zhenxing Company | 80,000,000 | 80,000,000 |
| Energy Development Company | 572,555,084 | 572,555,084 |
| Equity method | | |
| Chengbei Exit Expressway Company | 127,666,399 | 118,218,264 |
| | 2,864,369,288 | 2,852,869,679 |

The management considers that it is not necessary to provide impairment for long-term equity investments as at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XVII. NOTES TO KEY COMPONENTS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

4. Revenue

Revenue is presented as follows:

| | 2021 | 2020 |
|---------------------------------|-------------|-------------|
| Revenue from principal business | 419,168,903 | 268,516,499 |
| Revenue from other business | 508,808 | 402,898 |
| | 419,677,711 | 268,919,397 |

Revenue is presented as follows:

| | 2021 | 2020 |
|---------------------------------------|-------------|-------------|
| Revenue from contracts with customers | 419,170,407 | 268,631,381 |
| Rental income | 507,304 | 288,016 |
| | 419,677,711 | 268,919,397 |

NOTES TO FINANCIAL STATEMENTS

2021 Unit: RMB

XVII. NOTES TO KEY COMPONENTS IN THE FINANCIAL STATEMENTS OF THE COMPANY (continued)

4. Revenue (continued)

Breakdown of revenue from contracts with customers:

| | 2021 | 2020 |
|--|--------------------|--------------------|
| Major revenue sources | | |
| Toll income | 352,073,686 | 227,191,861 |
| Revenue from operation and management services | 67,095,217 | — |
| Construction revenue | — | 41,324,638 |
| Others | 1,504.00 | 114,882 |
| | 419,170,407 | 268,631,381 |
| Timing of revenue recognition | | |
| At a point in time | | |
| Toll income | 352,073,686 | 227,191,861 |
| Others | 1,504 | 114,882 |
| Over time | | |
| Revenue from operation and management services | 67,095,217 | — |
| Construction revenue | — | 41,324,638 |
| | 419,170,407 | 268,631,381 |

XVIII. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors of the Company on 24 March 2022.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yang Tan (*General Manager*)
Ms. Wang Xiao
Mr. Zhang Dongmin
Mr. Luo Dan

Non-executive Directors

Mr. Xiao Jun (*Chairman of the Board*)
Mr. Yang Bin

Independent non-executive Directors

Mr. Shu Wa Tung, Laurence
Mr. Ye Yong
Mr. Li Yuanfu

JOINT COMPANY SECRETARIES

Mr. Zhang Guangwen
Ms. Kwong Yin Ping, Yvonne

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Shu Wa Tung, Laurence (*Chairman*)
Mr. Ye Yong
Mr. Yang Bin

NOMINATION COMMITTEE

Mr. Xiao Jun (*Chairman*)
Mr. Li Yuanfu
Mr. Ye Yong

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ye Yong (*Chairman*)
Mr. Luo Dan
Mr. Li Yuanfu

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Yang Tan (*Chairman*)
Ms. Wang Xiao
Mr. Shu Wa Tung, Laurence

PRINCIPAL BANKS

Bank of China
Chengdu Shudu Branch

Industrial and Commercial Bank
Sichuan Chengdu Jinniu Branch

China Construction Bank
Chengdu No.1 Sub-branch

Industrial and Commercial Bank
Sichuan Chengdu Wuhouci Branch

REGISTERED OFFICE

9th Floor, Youyi Data Building
No. 28 Jingyuan East Road
Deyuan town (Jingrong town), Pidu District
Chengdu, Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

9th Floor, Chengnan Tianfu Building
No. 66 Shenghe 1st Road, High-Tech Zone
Chengdu, Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

SUPERVISORY COMMITTEE

Ms. Jiang Yan (*Chairman of the Supervisory Committee*)
Ms. Wu Haiyan
Mr. Zhang Yi
Ms. Xu Jingxian (*employee representative Supervisor*)
Mr. Chen Yong (*employee representative Supervisor*)

LISTING PLACE

The Stock Exchange of Hong Kong Limited
Stock abbreviation: CHENGDU EXPWAY
Stock Code: 1785

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www.chengdugs.com

AUTHORISED REPRESENTATIVES

Mr. Luo Dan
Mr. Zhang Guangwen

AUDITOR

Ernst & Young Hua Ming LLP
Recognized Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong Law:

DLA Piper Hong Kong

As to PRC Law:

Tahota Law Firm (泰和泰律師事務所)

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