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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)**

**2018 ANNUAL RESULTS ANNOUNCEMENT**

**HIGHLIGHTS**

- In 2018, the Group achieved revenue of RMB1,830,227,000 (including construction revenue in respect of service concession arrangements of RMB844,329,000), representing a year-on-year increase of 2.6%, of which toll income totalled RMB985,898,000, representing an increase of 17.3% from the previous year.
- In 2018, the Group recorded a total comprehensive income for the year attributable to owners of the Company of RMB415,488,000, representing a year-on-year increase of 22.6%.
- In 2018, basic and diluted earnings per Share was RMB0.346, representing a year-on-year increase of 22.6%.
- The Board recommended a final cash dividend of RMB215,293,260 in total, and based on the Company's current total number of Shares of 1,656,102,000, RMB0.13 per Share (tax inclusive).

The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2018, prepared under International Financial Reporting Standards, together with the comparative figures for the previous year as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
*Year ended 31 December 2018*

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
<b>REVENUE</b>	3	<b>1,830,227</b>	1,784,298
Cost of sales		<u>(1,236,013)</u>	<u>(1,285,629)</u>
Gross profit		<b>594,214</b>	498,669
Other income and gains	3	<b>33,743</b>	29,591
Administrative expenses		<b>(53,587)</b>	(46,978)
Other expenses		<b>(1,518)</b>	(2,590)
Interest expenses	4	<b>(71,701)</b>	(72,112)
Share of profits of an associate		<u><b>21,916</b></u>	<u>21,798</u>
<b>PROFIT BEFORE TAX</b>	5	<b>523,067</b>	428,378
Income tax expense	6	<u><b>(77,025)</b></u>	<u>(60,588)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>446,042</b></u>	<u>367,790</u>
Other comprehensive income		<u>–</u>	<u>–</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>446,042</b></u>	<u>367,790</u>
Attributable to:			
Owners of the Company		<b>415,488</b>	338,916
Non-controlling interests		<u><b>30,554</b></u>	<u>28,874</u>
		<u><b>446,042</b></u>	<u>367,790</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
– Basic and diluted	7	<u><b>RMB0.346</b></u>	<u>RMB0.282</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		256,348	136,915
Service concession arrangements	9	3,334,730	3,460,563
Software		333	642
Investment in an associate		126,141	123,728
Financial assets at fair value through profit or loss		500	500
Long-term receivable	11	230,247	–
Deferred tax assets		336	5,965
		<hr/>	<hr/>
Total non-current assets		3,948,635	3,728,313
<b>CURRENT ASSETS</b>			
Trade receivables	10	32,664	32,396
Prepayments, deposits and other receivables	11	254,262	13,418
Cash and cash equivalents		958,615	1,139,951
		<hr/>	<hr/>
Total current assets		1,245,541	1,185,765
<b>CURRENT LIABILITIES</b>			
Tax payable		12,032	20,362
Trade payables	12	1,006,227	749,686
Other payables and accruals	13	100,471	160,449
Interest-bearing bank and other borrowings	14	225,000	245,000
		<hr/>	<hr/>
Total current liabilities		1,343,730	1,175,497
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	2.1	<hr/> <b>(98,189)</b> <hr/>	<hr/> 10,268 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>3,850,446</b> <hr/>	<hr/> 3,738,581 <hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	14	1,328,500	1,210,500
Deferred income		54,072	258,134
Deferred tax liabilities		3,496	2,839
		<hr/>	<hr/>
Total non-current liabilities		1,386,068	1,471,473
Net assets		<hr/> <b>2,464,378</b> <hr/>	<hr/> 2,267,108 <hr/>

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	<i>15</i>	<b>1,200,000</b>	1,200,000
Reserves	<i>16</i>	<b>1,129,411</b>	935,914
		<b>2,329,411</b>	2,135,914
Non-controlling interests		<b>134,967</b>	131,194
Total equity		<b>2,464,378</b>	2,267,108

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

Chengdu Expressway Co., Ltd. (the “**Company**”) is a joint stock company with limited liability established in the People’s Republic of China (the “**PRC**”). The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 15 January 2019.

The registered office of the Company is located at 1 Kexin Road, High-Tech Zone, Chengdu, Sichuan, the PRC. The principal place of business of the Company in Hong Kong is located at 40th Floor, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (“**Group**”) were involved in the management and operation of expressways in Mainland China.

In the opinion of the directors of the Company (“**Directors**”), the parent company of the Company is Chengdu Expressway Construction and Development Co., Ltd. (“**Chengdu Expressway Construction**”), a company established in Chengdu, Sichuan Province, the PRC. The ultimate controlling shareholder of the Company is Chengdu Communications Investment Group Co., Ltd. (“**Chengdu Communications**”), which is wholly owned by the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise standards and interpretations approved by the International Accounting Standards Board (“**IASB**”), and International Accounting Standards (“**IASs**”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to nearest thousand except when otherwise indicated.

All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 15 and IFRS 9, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements throughout the financial years ended 31 December 2017 and 2018.

#### **Going concern basis**

As at 31 December 2018, the Group’s current liabilities exceeded its current assets by RMB98,189,000, primarily due to the expenditure incurred on the expansion project of Chengpeng Expressway. As at 31 December 2018, total payables in relation to the expansion project of Chengpeng Expressway amounted to RMB924,450,000.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2018, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounting to RMB1,358,700,000, of which RMB1,128,700,000 has been earmarked for the expansion project of Chengpeng Expressway and are available for withdrawal before July 2020, and RMB230,000,000 of the undrawn banking facilities are available for withdrawal before April 2021 for the refinancing of an existing loan by Chengwenqiong Expressway Company. Having considered the cash flows from operations and its available resource of finance, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and it is appropriate to prepare the financial statements on a going concern basis.

## 2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i> <sup>2</sup>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 16	<i>Leases</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>2</sup>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 <sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2019  
<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020  
<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021  
<sup>4</sup> No mandatory effective date yet determined but is available for adoption

## 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Toll income		
– Chengguan Expressway	330,542	310,882
– Chengpeng Expressway	113,154	66,537
– Chengwenqiong Expressway	398,093	320,333
– Chengdu Airport Expressway	144,109	142,626
	<hr/>	<hr/>
Sub-total	985,898	840,378
	<hr/>	<hr/>
Construction revenue in respect of service concession arrangements	844,329	943,920
	<hr/>	<hr/>
	<b>1,830,227</b>	<b>1,784,298</b>
	<hr/> <hr/>	<hr/> <hr/>

## Revenue from contracts with customers

### (i) Disaggregated revenue information

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Type of revenue</b>		
Toll income	985,898	840,378
Construction services	<u>844,329</u>	<u>943,920</u>
Total revenue from contracts with customers	<u><u>1,830,227</u></u>	<u><u>1,784,298</u></u>

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Timing of revenue recognition</b>		
At a point in time	985,898	840,378
Over time	<u>844,329</u>	<u>943,920</u>
Total revenue from contracts with customers	<u><u>1,830,227</u></u>	<u><u>1,784,298</u></u>

### (ii) Performance obligations

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

#### *Toll income*

Toll income is recognised at a point in time when the relevant services have been provided and the Group received the payment or the right to receive payment has been established. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

#### *Construction revenue in respect of service concession arrangements*

The performance obligation is satisfied over time as construction services are rendered when the Group's performance creates and enhances an asset that the customer controls where the construction and upgrade services performed.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017 were amounted to RMB844,329,000, of which all performance obligations are expected to be recognised within one year.

There were no unsatisfied or partially unsatisfied performance obligations as at 31 December 2018.

An analysis of other income and gains is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	<b>RMB'000</b>
<i>Other income and gains</i>		
Interest income from a long-term receivable	5,548	–
Bank interest income	10,820	10,753
Compensation income for road damage	2,656	3,320
Rental income	9,371	9,884
Deferred income released to profit or loss	4,062	4,062
Miscellaneous	1,286	1,572
	<u>33,743</u>	<u>29,591</u>
Other income and gains	<u>33,743</u>	<u>29,591</u>
Total revenue, other income and gains	<u><u>1,863,970</u></u>	<u><u>1,813,889</u></u>

#### 4. INTEREST EXPENSES

An analysis of interest expenses is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expenses on bank loans and other borrowings	73,038	72,347
Less: Interest capitalised ( <i>note 9(c)</i> )	<u>(1,337)</u>	<u>(235)</u>
	<u>71,701</u>	<u>72,112</u>
Interest rate of borrowing costs capitalised	<u>4.75%</u>	<u>4.75%</u>



## 5. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Cost of operating service		<b>391,684</b>	341,709
Construction costs in respect of service concession arrangements		<b>844,329</b>	943,920
		<hr/>	<hr/>
Cost of sales		<b>1,236,013</b>	1,285,629
		<hr/>	<hr/>
Employee benefit expense (including Directors' and supervisors' remuneration):			
Wages, salaries and allowances, social security and benefits		<b>135,930</b>	122,230
Pension scheme contributions (Defined contribution fund)		<b>23,294</b>	17,606
Other staff benefits		<b>29,324</b>	23,007
		<hr/>	<hr/>
		<b>188,548</b>	162,843
		<hr/>	<hr/>
Depreciation		<b>18,266</b>	16,769
Amortisation in respect of:			
– service concession arrangements	9	<b>145,463</b>	116,425
– software		<b>410</b>	115
Listing fees expensed off		<b>1,891</b>	1,871
Loss on disposal and write-off of items of property, plant and equipment		<b>30</b>	125
Impairment loss on other receivables		–	1,414
Auditor's remuneration		<b>1,100</b>	–
Minimum lease payments under operating leases of land and office		<b>3,803</b>	3,608
Bank Interest income	4	<b>(10,820)</b>	(10,753)
		<hr/> <hr/>	<hr/> <hr/>

## 6. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year.

Except for Chengpeng Expressway Company as further described below, the Company and its subsidiaries and associate were entitled to a preferential tax rate of 15% during the year. Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58) (the "Circular"), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the "Catalogue") approved by the State Council, and shall be implemented as of 1 October 2014 and Revised Catalogue of Encouraged Industries in the Western Region approved by the State Council, and shall be implemented as of 28 July 2017, the income from which accounts for more than 70% of the total income of such enterprises."

For entities within the scope of the transportation industry, i.e., the Company, Chengwenqiong Expressway Company and Chengdu Airport Expressway Company and Chengdu Chengbei Exit Expressway Co., Ltd. ("Chengbei Exit Expressway Company"), an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012, as they have not changed their business operations and eligible revenue that falls within the scope accounting for more than 70% of their respective total revenue, income tax of these entities for the year continued to be calculated at a tax rate of 15%.

During the year, the Directors considered that the eligible revenue derived by Chengpeng Expressway Company has not exceeded 70% of its total revenue due to the government grant received related to the expansion project of Chengpeng Expressway, and the provision for income tax expense of Chengpeng Expressway Company during the year was calculated at the Corporate Income Tax (“CIT”) rate of 25%.

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

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	<b>70,739</b>	58,302
Deferred	<b>6,286</b>	2,286
	<hr/>	<hr/>
Total tax charge for the year	<b>77,025</b>	60,588
	<hr/> <hr/>	<hr/> <hr/>

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate in Mainland China for companies within the Group to the tax expense at the effective tax rate is as follows:

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Profit before tax	<b>523,067</b>	428,378
	<hr/> <hr/>	<hr/> <hr/>
Income tax charge at the statutory tax rate of 25%	<b>130,767</b>	107,095
Effect of preferential income tax rate of 15%	<b>(49,112)</b>	(41,703)
Expenses not deductible for tax	<b>44</b>	13
Effect on opening deferred tax due to change in tax rate	<b>–</b>	(1,547)
Income not subject to tax	<b>(1,387)</b>	–
Profit attributable to an associate	<b>(3,287)</b>	(3,270)
	<hr/>	<hr/>
Tax charge at the Group’s effective tax rate	<b>77,025</b>	60,588
	<hr/> <hr/>	<hr/> <hr/>

The above share of tax attributable to an associate amounting to RMB3,868,000 (2017: RMB3,847,000) is included in “Share of profits of an associate” in profit or loss.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,200,000,000 (2017: 1,200,000,000) in issue during the year.

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

## 8. DIVIDENDS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Proposed final – RMB0.13 per ordinary share	<u>215,293</u>	<u>–</u>

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

## 9. SERVICE CONCESSION ARRANGEMENTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Cost:</b>		
At beginning of the year	4,522,754	3,578,834
Additions	842,992	943,685
Fair value of a government grant related to an asset ( <i>note (d)</i> )	(824,699)	–
Interest expenses capitalised ( <i>note (c)</i> )	<u>1,337</u>	<u>235</u>
At end of the year	<u>4,542,384</u>	<u>4,522,754</u>
<b>Accumulated amortisation:</b>		
At beginning of the year	1,062,191	945,766
Charged for the year	<u>145,463</u>	<u>116,425</u>
At end of the year	<u>1,207,654</u>	<u>1,062,191</u>
<b>Net carrying amount:</b>		
At beginning of the year	<u>3,460,563</u>	<u>2,633,068</u>
At end of the year	<u>3,334,730</u>	<u>3,460,563</u>

### Notes:

- (a) The concession rights pertaining to certain expressways of the Group with net carrying amounts listed below were pledged to interest-bearing secure bank loans and other borrowings granted to the Group (note 14(a)):

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Chengpeng Expressway	1,377,302	1,401,174
Chengwenqiong Expressway	1,206,341	1,268,113
Chengdu Airport Expressway	<u>–</u>	<u>212,110</u>
	<u>2,583,643</u>	<u>2,881,397</u>

- (b) During the year, the Group was in the construction of the expansion project of Chengpeng Expressway. Total construction costs (including interest expenses capitalised) of RMB844,329,000 were incurred (2017: RMB943,920,000). All construction works were sub-contracted to third party subcontractors.

In addition, construction revenue of RMB844,329,000 (2017: RMB943,920,000) was recognised in respect of the construction service provided by the Group for the expansion project of Chengpeng Expressway using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the expansion projects and commencement of operation.

- (c) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB1,337,000 (2017: RMB235,000) (note 4).
- (d) During the year, the expansion project of Chengpeng Expressway was completed and the previously-closed part of Chengpeng Expressway was reopened on 12 July 2018. The fair value of the government grant related to the expansion project of Chengpeng Expressway amounting to RMB824,699,000 was deducted the carrying amount of the service concession arrangements and released to profit or loss by way of a reduced amortisation charged.

## 10. TRADE RECEIVABLES

Trade receivables are analysed by categories as follows:

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Batch payment arrangements	<b>27,100</b>	25,738
Inter-network toll collection and Electronic Toll Collection (“ETC”) receivables	<b>5,564</b>	6,658
	<b>32,664</b>	32,396
Impairment allowance	—	—
	<b>32,664</b>	32,396

The Group’s trade receivables mainly arose from toll income receivables under the batch payment arrangements (the “**Arrangements**”) on Chengpeng Expressway and Chengwenqiong Expressway. In accordance with the Arrangements entered into between the Group and certain local government agencies in Chengdu, the relevant government agencies agreed to pay the Group an amount of batch payment fee for a certain period in consideration for certain qualified passenger vehicles can pass through these two expressways without toll payment. Under the Arrangements, the batch payment fee is determined by reference to the actual traffic information and the current toll fee standards of relevant toll roads, factors affecting future traffic volumes, such as economic growth and consumption level forecast, changes of road network conditions and the potential upside impact on traffic volume. They are settled in accordance with the credit period of 1 month to 3 months as specified in the relevant contracts governing the Agreements.

The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance for impairment of trade receivables, is as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 3 months	<u><b>32,664</b></u>	<u>32,396</u>

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Neither past due nor impaired	<u><b>32,664</b></u>	<u>32,396</u>

The Group does not hold any collateral or other credit enhancements over these balances.

**11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
<i>Current portion</i>		
Prepayment to suppliers	4,326	2,921
Due from a related party	–	301
Government grant receivable	200,000	–
Deferred listing fees	44,586	6,697
Rental income receivable	2,577	1,290
Interest receivable	567	–
Others	4,956	4,959
	<u>257,012</u>	<u>16,168</u>
Impairment allowance	(2,750)	(2,750)
	<u>254,262</u>	<u>13,418</u>
<i>Non-current portion</i>		
Government grant receivable	230,247	–
	<u>484,509</u>	<u>13,418</u>

**12. TRADE PAYABLES**

An ageing analysis of trade payables as of the end of the reporting period based on the invoice date is as follows:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Within 3 months	66,516	519,187
3 to 6 months	312,765	22,894
6 to 12 months	273,523	174,857
Over 1 year	353,423	32,748
	<u>1,006,227</u>	<u>749,686</u>
Retention monies, included in trade payables	<u>28,313</u>	<u>37,941</u>

**13. OTHER PAYABLES AND ACCRUALS**

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
<i>Current portion</i>		
Payroll and welfare payables	<b>11,041</b>	9,506
Taxes and surcharge payables	<b>26,140</b>	26,487
Due to a related party	<b>43</b>	–
Inter-network toll collection payable	<b>9,067</b>	85,728
Deposits	<b>16,812</b>	17,900
Listing fee payable	<b>11,844</b>	853
Interest payable	<b>1,464</b>	2,065
Deferred income	<b>4,062</b>	4,062
Consultancy and professional fees	<b>3,323</b>	–
Others	<b>16,675</b>	13,848
	<hr/> <b>100,471</b>	<hr/> 160,449
<i>Non-current portion</i>		
Deferred income	<hr/> <b>54,072</b>	<hr/> 258,134
	<hr/> <b>154,543</b>	<hr/> 418,583

#### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2018			2017		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current:</b>							
Bank loans – secured	(a)	4.41-4.90	2019	35,000	4.41-4.90	2018	75,000
Bank loans – unsecured	(b)	4.41-4.90	2019	80,000	4.41-4.90	2018	70,000
Other loans – secured	(c)	4.90	2019	110,000	4.90	2018	100,000
				<u>225,000</u>			<u>245,000</u>
<b>Non-Current:</b>							
Bank loans – secured	(a)	4.41-4.90	2020-2036	934,000	4.41-4.90	2019-2036	606,000
Bank loans – unsecured	(b)	4.41-4.90	2020-2025	274,500	4.41-4.90	2019-2025	374,500
Other loans – secured	(c)	4.90	2020-2025	120,000	4.90	2019-2025	230,000
				<u>1,328,500</u>			<u>1,210,500</u>
				<u>1,553,500</u>			<u>1,455,500</u>

*Notes:*

- (a) The bank loans were secured by the service concession rights (note 9(a)) with net carrying amounts as follows:

	2018 RMB'000	2017 RMB'000
Chengpeng Expressway	1,377,302	1,401,174
Chengwenqiong Expressway	1,206,341	1,268,113
Chengdu Airport Expressway	–	212,110
	<u>2,583,643</u>	<u>2,881,397</u>

- (b) The bank borrowings of approximately RMB354,500,000 as at 31 December 2018 (2017: RMB444,500,000) were guaranteed by the Company and Chengwenqiong Expressway Company at nil consideration.
- (c) The other borrowings of approximately RMB230,000,000 as at 31 December 2018 (2017: RMB330,000,000) was secured by Chengwenqiong Expressway (note 9(a)) with a net carrying amount of RMB1,206,341,000 as at 31 December 2018 (2017: RMB1,268,113,000)

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



## 15. ISSUED CAPITAL

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Issued capital	<u>1,200,000</u>	<u>1,200,000</u>

The Company is a limited liability company established in China on 25 August 1998 and was converted into a joint stock company with limited liability on 21 November 2016. Pursuant to the approval of the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government, the Company's equity as at 30 June 2016 of RMB1,422,865,000 was converted into share capital with an amount of RMB1,200,000,000 and capital reserve with an amount of RMB222,865,000 of the joint stock company with limited liability. Upon the computation of the conversion, the capital of the Company was RMB1,200,000,000, divided into 1,200,000,000 ordinary shares of RMB1.00 each. Zhongtianyuan Certified Public Accountants (中天運會計師事務所(特殊普通合夥)四川分所) have verified the issued share capital, and issued a related capital verification report of Zhongtianyuan Yan Zi [2016] No. 00007.

## 16. RESERVES

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

### (a) Capital reserve

The application of the share premium account is governed by the Company Law of the PRC. Under the constitutional documents and the Company Law of the PRC, the share premium is distributable as a dividend in the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

### (b) Statutory reserve

In accordance with the Company Law of the PRC and the respective articles of association of subsidiaries domiciled in Mainland China, each of the PRC subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital.

According to the articles of association of the subsidiaries located in Mainland China, the Company and the subsidiaries are required to allocate 10% of their profit after tax in accordance with PRC GAAP to the SSR.

The SSR is non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

### (c) Other reserve

It represents the fair value of 40% of the share of identifiable net assets of Chengbei Exit Expressway Company's attributable share as at the acquisition date of RMB121,818,000.

## 17. EVENTS AFTER THE REPORTING PERIOD

- (a) In connection with the Listing of the shares of the Company on the Stock Exchange, 400,000,000 new H shares with a nominal value of RMB1 each were issued at a price of HK\$2.20 per ordinary share for a total cash consideration of HK\$880,000,000, before deducting underwriting fees, commissions and related expenses. Dealings in the shares of the Company on the Stock Exchange commenced on 15 January 2019.
- (b) On 4 February 2019, the over-allotment option was partially exercised in respect of an aggregate of 56,102,000 H Shares, representing approximately 14.03% of the aggregate number of offer shares initially available under the Global Offering before any exercise of the over-allotment option. The over-allotment shares were issued and allotted by the Company at HK\$2.20 per H share. Dealings in the over-allotment shares on the Stock Exchange commenced on 12 February 2019.

Except for the events mentioned above, no other significant events that require additional disclosure or adjustments occurred after the Reporting Period.

## CHAIRMAN'S STATEMENT

In the past year of 2018, the Group made concerted efforts for development, which not only contributed to the steady increase in revenue and profit, but laid a solid foundation for the Company's successful listing on the Main Board of the Stock Exchange as well. On behalf of the Board, I am pleased to report to the Shareholders that: in 2018, the Group achieved revenue of RMB1,830,227,000 in total, with a year-on-year increase of 2.6%, of which toll income amounted to RMB985,898,000, with a year-on-year increase of 17.3%. The Group recorded a profit for the year of RMB446,042,000, up by 21.3% year-on-year, and total comprehensive income for the year attributable to owners of the Company of RMB415,488,000, representing a year-on-year increase of 22.6%. The Company was committed to enhancing its corporate value and thus implemented a positive dividend distribution policy with consideration given to both long-term and short-term interests of investors. The Board proposed to distribute a final cash dividend for 2018 of RMB0.13 per share (tax inclusive) and RMB215,293,260 in total. The dividend distribution plan will be subject to approval at the AGM.

### Results review

#### ***The completion of the expansion project of Chengpeng Expressway generates immediate economic benefits***

The expansion project of Chengpeng Expressway in which we injected RMB2.036 billion commenced construction in October 2016 and was completed on 30 June 2018, following which, Chengpeng Expressway changes from an four-lane expressway to an six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No.2 Ring Expressway and from an four-lane expressway to an eight-lane expressway for the road section between Chengdu No.2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway, thereby significantly shortening the time and travel distance from the main urban area to districts and cities along the expressways, realising unimpeded interconnection with Chengdu Ring Expressway, enhancing the fast traffic conversion capacity between Chengpeng Expressway and Jinfeng Viaduct and Chengdu Ring Expressway, and effectively relieving traffic jam at the city entrance and exit section of Chengpeng Expressway and areas surrounding Chengdu Ring Expressway. During the construction period, we shut down certain sections of Chengpeng Expressway since July 2017, resulting in a decrease in daily weighted-average traffic volume from 47,408 in 2016 to 11,236 for the six months ended 30 June 2018. On 12 July 2018, we reopened the previously closed sections due to construction to restore full operation and the standard toll collection model. Meanwhile, we raised the toll collection standard with the approvals from Sichuan Provincial Government, Sichuan Provincial Development and Reform Commission and the Department of Transportation of Sichuan Province, making Chengpeng Expressway the first within Sichuan Province to adjust the toll collection standard upon expansion. In 2018, Chengpeng Expressway Company recorded toll income of RMB113,154,000 (2017: RMB66,537,000), with a year-on-year increase of 70.1%, contributing remarkably to the Group's operating results growth.

### ***Continuous traffic network optimisation in Sichuan Province and Chengdu sets the stage for steady increase in traffic volume***

Throughout 2018, a total of RMB159 billion was invested in highway and waterway traffic construction in Sichuan Province, of which certain cities (prefectures) such as Chengdu and Leshan invested more than RMB10 billion, leading to a noticeable progress in expressways and normal state and provincial arteries construction. Located strategically in areas adjacent to Chengdu, the Group's expressways are an integral part to the expressway network surrounding Chengdu which connect several districts with abundant industrial, cultural and tourism resources. Benefiting from the continuous improvement of traffic network in Sichuan Province and Chengdu, daily average traffic volume on the expressways of the Group maintained a stable increase. In particular, affected by the completion of the expansion project of Riyue Avenue and the restored traffic in September 2018, the adjacent Chengwenqiong Expressway recorded a year-on-year increase of 11.7% in daily average traffic volume. Besides, other expressways including Chengpeng Expressway, Chengguan Expressway and Chengdu Airport Expressway recorded a year-on-year increase of 9.4%, 5.8% and 1.3% in daily average traffic volume, respectively.

### ***The adjustment in toll collection model contributes to continued economic benefits***

Chengwenqiong Expressway Company and Chengpeng Expressway Company of the Group implemented the batch payment model under the Old Batch Payment Agreements from 2008 to June 2017, pursuant to which, the governments along the expressways shall pay a fixed annual toll after taking into consideration of the traffic volume information and its growth trend and other factors. In June 2017, Chengwenqiong Expressway Company and Chengpeng Expressway Company both entered into the New Batch Payment Agreements with relevant governments, with effect from 1 July 2017. The calculation method for the batch payment model was revised to include the real-time traffic volume information, the standard toll amounts of relevant toll roads, as well as factors affecting future traffic volume. As aforementioned, the standard toll collection model was restored upon completion of the expansion project of Chengpeng Expressway and the toll collection standard were adjusted, bringing considerable increase in toll income. Upon implementation of the New Batch Payment Agreements from 1 July 2017 and throughout 2018, Chengwenqiong Expressway recorded a year-on-year batch payment income increase with toll income of RMB398,093,000 in the whole year, up by 24.3% year-on-year.

### ***Active promotion in standardisation construction and continuous promotion in reducing cost and improving efficiency***

The Group promoted toll collection management standardisation work in an effort to realise the standardisation of personnel ratio on lanes, which, upon implementation, will be reduced from 1:4.09 to 1:3.92, thereby forming the operation mode of regular manpower shift complemented by automatic shift. In addition, in 2018, the Group formulated the Cleaning Work Content and Operating Standards for Expressway Surface and Wayside Facilities (《高速公路路面、沿線設施的清掃保潔工作內容及作業標準》) and Implementation Content and Technical Standards for Expressway Greening Maintenance Operations (《高速公路綠化養護作業實施內容及技術標準》), enrolling maintenance business as items under the 380 contracts list and into 450 quota sub-items. According to the assessment by experts, the comprehensive unit price of maintenance quota set by the Group decreased by approximately 15% from the unit price under the original contracts list. It is believed that, with the promotion of the standardisation construction, cost reduction and efficiency improvement will gradually bear fruit.

Besides, despite of substantial domestic economic downward pressure in 2018, the expressways of the Group still achieved desirable growth in traffic volume and toll income. The traffic volume structure of the Group with passenger vehicles volume as the focus (except for Chengdu Airport Expressway with 100% passenger vehicles volume, passenger vehicles volume on other expressways account for approximately 80%) ensures the Group's strong resistance to economic fluctuations.

## **Outlook**

In the new year, “we are faced with once-in-a-century changes” and “year 2019 will unfold amid both opportunities and challenges” as mentioned by General Secretary Xi in his New Year's address. The Group will envisage and resolve the issue of grasping historical opportunities and preparing ourselves for future challenges at present and even in the years to come.

From external perspectives, it is clearly stipulated in the “Thirteenth Five-Year” Plan on Comprehensive Traffic Transport Development of Sichuan Province (《四川省“十三五”綜合交通運輸發展規劃》) that the construction of the westbound and northwest bound expressways to and from Sichuan and the expressways along the Yangtze River should be sped up. An expressway network featuring “three rings and fifteen lanes” shall be established during the “Thirteenth Five-Year” period in Chengdu. Expressways in and surrounding Chengdu still promises great development potential as evidenced by the planned sections of Chengdu-Ziyang-Chongqing Expressway, Chengdu-Yichang Expressway, Tianqiong Expressway, Chengdu-Aba Expressway, etc. and the sections under construction of Chengdu Tianfu International Airport Expressway, Chengdu Economic Zone Ring Expressway, etc., which are high-quality projects the Group may take the initiative to secure. The follow-up operation and management of newly constructed expressways also provides broad market for the Group's future development. Meanwhile, the wide application of future new technologies, such as the rapid development of 5G will provide sufficient technical support for the information exchange of expressways and the construction of expressways internet of things. In future, expressway is both an important source of big data and one of the scenes of big data applications. Timely investment in the technology industry to provide more accurate services, improve traffic efficiency, enhance the level of automation of transportation services and render traffic management decisions more scientific is a new opportunity brought about by the development of science and technology. From internal perspectives, 2019 marks the first year after the Group's listing in Hong Kong. With stronger capital resources, the Group has strong appeal for consolidating the operating and management capacity of existing expressways, accelerating layout of the industry chain and striving for new profit drivers.

## **Acknowledgement**

Year 2018 was a year of hardworking and sprinting for listing by the Company. On behalf of the Board, I would like to extend my sincere appreciation to all staffs for their hard work and dedications, to investors, customers, business partners and friends of all circles for their longstanding trust and support, and to the sponsors, lawyers, auditors and other listing agencies for their professional and efficient service for the listing of the Company. In 2019, we will leverage the brand new start for the reform and development through down-to-earth efforts and practices and refined management to ensure the efficiency enhancement of operating work. Joining hands with all staffs, we are committed to seeking diverse development layouts based on comprehensive planning and innovative thoughts, further affirming resolutions, forging ahead with spiritual conviction and achieving greater glories.

## MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, amid sluggish global economic recovery and volatilities in the international financial market, domestic economy is confronted with tightening downward pressure. In 2018, the gross domestic product (GDP) of China recorded a year-on-year increase of 6.6%, trending upside with steady progress. In such economic context, benefited from the continuous optimisation of expressway networks in Sichuan Province and Chengdu, people's continuous rising travelling desire and relentless efforts of all staff of the Group, the Group maintained a stable, healthy and positive development momentum.

### Summary of the Group's Operating Results

	<b>2018</b>	2017
	<b>RMB'000</b>	<i>RMB'000</i>
Revenue	<b>1,830,227</b>	1,784,298
Including:		
Toll income	<b>985,898</b>	840,378
Construction revenue in respect of service concession arrangements	<b>844,329</b>	943,920
Profit before tax	<b>523,067</b>	428,378
Total comprehensive income for the year attributable to owners of the Company	<b>415,488</b>	338,916
Earnings per share attributable to ordinary equity holders of the Company ( <i>RMB</i> )		
– Basic and diluted	<b>0.346</b>	0.282

### Summary of the Group's Financial Position

	<b>As at</b>	As at
	<b>31 December</b>	31 December
	<b>2018</b>	2017
	<b>RMB'000</b>	<i>RMB'000</i>
Total assets	<b>5,194,176</b>	4,914,078
Total liabilities	<b>2,729,798</b>	2,646,970
Non-controlling interests	<b>134,967</b>	131,194
Equity attributable to owners of the Company	<b>2,329,411</b>	2,135,914

## Revenue

The Group is primarily engaged in toll collection and maintenance and repair of the expressways operated by it in its daily operations, including Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway. During the Reporting Period, the Group achieved revenue of RMB1,830,227,000, representing a year-on-year increase of 2.6%, of which toll income totalled RMB985,898,000, representing an increase of 17.3% from the previous year. Except for toll income, during the Reporting Period, the Group also derived construction revenue in respect of service concession arrangements, the amount of which equalled to the construction costs for the corresponding period. The table below sets forth a breakdown of toll income by expressway and construction revenue in respect of service concession arrangements:

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Chengguan Expressway	<b>330,542</b>	310,882
Chengpeng Expressway	<b>113,154</b>	66,537
Chengwenqiong Expressway	<b>398,093</b>	320,333
Chengdu Airport Expressway	<b>144,109</b>	142,626
Total toll income	<b>985,898</b>	840,378
Construction revenue in respect of service concession arrangements	<b>844,329</b>	943,920
<b>Total revenue</b>	<b>1,830,227</b>	1,784,298

	<b>Daily average</b>		Increase/ (decrease) from
	<b>traffic volume (vehicle)</b>		the previous
<b>Toll expressway</b>	<b>2018</b>	2017	year
Chengguan Expressway	<b>42,530</b>	40,196	5.8%
Chengpeng Expressway	<b>28,326</b>	25,895	9.4%
Chengwenqiong Expressway	<b>53,400</b>	47,788	11.7%
Chengdu Airport Expressway	<b>43,721</b>	43,147	1.3%

During the Reporting Period, the increase in toll income was mainly attributable to the following reasons: (i) Chengguan Expressway recorded a year-on-year increase in toll income of RMB19,660,000, or 6.3% as a result of growth in traffic volume; (ii) due to traffic restoration on the previously closed sections on 12 July 2018 and the restoration of the standard toll collection model as well as an increase in toll collection standard, toll income derived from Chengpeng Expressway recorded a year-on-year increase of RMB46,617,000, or 70.1%; (iii) Chengwenqiong Expressway recorded an increase in batch payments income compared to that of last year upon implementation of the New Batch Payment Agreements from July 2017 and throughout 2018, and its toll income increased by RMB77,760,000 year-on-year, or 24.3% also resulting from the growth in traffic volume as a result of traffic restoration upon completion of the Riyue Avenue expansion project; (iv) Chengdu Airport Expressway recorded a year-on-year increase in toll income of RMB1,483,000, or a slight growth of 1.0% due to the commencement of operation of Chengdu subway line No.10 from the end of December 2017.

Construction revenue in respect of service concession arrangements decreased by 10.6% from RMB943,920,000 in 2017 to RMB844,329,000 in 2018, which was attributable to the absence of new expansion project except for the remaining expansion project of Chengpeng Expressway recognised during the Reporting Period. Such construction revenue is non-recurring in nature, which is only related to the upgrading or expansion projects of the Group rather than construction services provided to third parties and the amount of the construction revenue recognised equals to the construction costs for the corresponding period.

#### **Cost of sales**

Cost of sales primarily include cost of infrastructure in respect of the construction of service concession arrangements, road repair, maintenance, cleaning and greening cost, depreciation and amortisation as well as employee benefit expense. During the Reporting Period, cost of sales of the Group decreased by 3.9% to RMB1,236,013,000 (2017: RMB1,285,629,000), which was mainly attributable to a decline in construction cost, but the decline was partly offset by an increase in the Group's expressways operating cost.

#### **Gross profit and gross profit margin**

During the Reporting Period, gross profit from the Group's operations amounted to RMB594,214,000 (2017: RMB498,669,000), which equals to the gross profit of the toll collection operation. Construction revenue recognised was due to the accounting treatment of service concession arrangements and nil gross profit was generated during the Reporting Period. In 2018 and 2017, overall gross profit margin was 32.5% and 27.9%, and the gross profit margin of the toll collection operation remained stable at 60.3% and 59.3%, respectively.

#### **Administrative expenses**

During the Reporting Period, the Group incurred administrative expenses of RMB53,587,000 (2017: RMB46,978,000), representing a year-on-year increase of 14.1%, which was mainly attributable to an increase in employee benefit expenses as a result of regular upward adjustment of the salary of employees and the increase in headcount of the Company as well as an increase in depreciation and amortisation amount due to newly added office related assets.

During the Reporting Period, the employee benefit expense (including salary and social security expenses) and depreciation and amortisation amount of the Group were RMB32,654,000 (2017: RMB27,483,000) and RMB1,554,000 (2017: RMB995,000), respectively.

#### **Share of profits of an associate**

During the Reporting Period, the Group recognised share of profits of RMB21,916,000 (2017: RMB21,798,000) arising from its 40% equity interests in Chengbei Exit Expressway Company, representing a year-on-year increase of 0.5%, which was attributable to the results growth of Chengbei Exit Expressway Company in 2018.

#### **Total comprehensive income for the year attributable to owners of the Company**

During the Reporting Period, total comprehensive income for the year attributable to owners of the Company amounted to RMB415,488,000 (2017: RMB338,916,000), representing a year-on-year increase of 22.6%, which was mainly attributable to an increase in toll income of the Group during the Reporting Period. Basic and diluted earnings per share was RMB0.346 (2017: RMB0.282), representing a year-on-year increase of 22.6%. Return on shareholder's equity was 18.1% (2017: 16.2%) benefited from the performance growth of the Group, representing a year-on-year increase of 1.9%.

### **Assets and liabilities overall conditions**

As at the end of the Reporting Period, total assets of the Group amounted to RMB5,194,176,000 (2017: RMB4,914,078,000), representing an increase of 5.7% from the end of 2017. The Group's total assets mainly consist of service concession rights in respect of Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway and the equity investment in Chengbei Exit Expressway Company, an associate of the Group. The above assets accounted for 66.6% of the Group's total assets. Cash and cash equivalents and other assets accounted for 18.5% and 14.9% of total assets, respectively.

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB2,729,798,000 (2017: RMB2,646,970,000), representing an increase of 3.1% from the end of 2017.

### **Borrowings and repayment capacity**

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB2,729,798,000 (2017: RMB2,646,970,000), of which 56.9% (2017: 55.0%) represented bank and other loans while 40.5% (2017: 34.4%) represented amounts payable to suppliers.

As at the end of the Reporting Period, total interest-bearing borrowings of the Group amounted to RMB1,553,500,000 (2017: RMB1,455,500,000), of which RMB1,323,500,000 represented bank borrowings and RMB230,000,000 represented other borrowings, 85.5% 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 a fixed annual interest rate ranging from 4.41% to 4.90%. Other borrowings carried a fixed annual interest rate of 4.9%.

During the Reporting Period, total interest expenses of the Group amounted to RMB71,701,000 (2017: RMB72,112,000). Earnings before interest and tax amounted to RMB594,768,000 (2017: RMB500,490,000) and therefore interest coverage ratio (earnings before interest and tax divided by interest expenses) was 8.3 (2017: 6.9).

As at the end of the Reporting Period, gearing ratio of the Group (being total liabilities divided by total assets) was 52.6% (2017: 53.9%).

### **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. Equity includes equity attributable to owners of the Company and non-controlling interests. As at the end of the Reporting Period, the borrowing ratio was 19% (2017: 12%).

### **Capital expenditure commitments and utilisation**

During the Reporting period, capital expenditure of the Group amounted to RMB982,235,000. Of the total capital expenditure of the Group, RMB137,803,000 was used for equipment purchase, RMB844,329,000 for expansion under service concession arrangements and RMB103,000 for other intangible assets.

As at the end of the Reporting Period, total capital expenditure commitments of the Group amounted to RMB10,520,000, all of which were incurred from the purchase and reformation of equipment and facilities for Chengwenqiong Expressway. The Group will prioritise internal resources to fund the above capital expenditure commitments.



## Liquidity and capital resources

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, current assets of the Group totalled RMB1,245,541,000 (2017: RMB1,185,765,000), of which: (i) cash and cash equivalents were RMB958,615,000 (2017: RMB1,139,951,000), accounting for 77.0% (2017: 96.1%) of current assets; (ii) trade receivables were RMB32,664,000 (2017: RMB32,396,000), accounting for 2.6% (2017: 2.7%) of current assets; (iii) prepayments, deposits and other receivables were RMB254,262,000 (2017: RMB13,418,000), accounting for 20.4% (2017: 1.1%) of current assets.

As at the end of the Reporting Period, current ratio (current assets divided by current liabilities) of the Group was 92.7% (2017: 100.9%). The decrease was due to a decline in cash and cash equivalents as a result of the progress payment by Chengpeng Expressway Company for the expansion project.

The table below sets out certain information about the Group's consolidated statements of cash flows for the years ended 31 December 2018 and 2017:

	Year ended 31 December			
	2018		2017	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents presented in the consolidated statement of cash flows at the beginning of the year		1,139,951		1,501,380
Net cash flows from operating activities	161,402		353,212	
Net cash flows from/(used in) investing activities	(198,327)		43,970	
Net cash flows used in financing activities	(224,411)		(758,611)	
Net decrease in cash and cash equivalents		(261,336)		(361,429)
Cash and cash equivalents presented in the consolidated statements of cash flows at the end of the year		878,615		1,139,951
<b>Analysis of balances of cash and cash equivalents</b>				
Cash and cash equivalents as stated in the consolidated statement of financial position		958,615		1,139,951
Time deposits with original maturity of over three months		(80,000)		—
Cash and cash equivalents as stated in the consolidated statement of cash flows		878,615		1,139,951

**Net cash flows from operating activities:** During the Reporting Period, net cash flows from the Group's operating activities were approximately RMB161,402,000, while net cash flows from operating activities in 2017 were approximately RMB353,212,000, representing a year-on-year decrease of 54.3%, which was mainly due to (i) the increase in profit before tax of approximately RMB94,689,000; (ii) the increase in amortisation of service concession arrangements of RMB29,038,000; (iii) the decrease in trade payables of RMB310,691,000.

**Net cash flows used in or from investing activities:** During the Reporting Period, net cash flows used in investing activities of the Group were approximately RMB198,327,000, while net cash flows from investing activities in 2017 were approximately RMB43,970,000, which was mainly due to the increase in investment in security, monitoring and other toll collection equipment of approximately RMB110,479,000 as compared to last year.

**Net cash flows used in financing activities:** During the Reporting Period, net cash flows used in the Group's financing activities were approximately RMB224,411,000, while net cash flows used in the Group's financing activities in 2017 were approximately RMB758,611,000, representing a year-on-year decrease of 70.4%, which was mainly due to: (i) the increase in proceeds from new bank and other loans amounting to approximately RMB293,000,000; (ii) during 2017, the Company repaid an interest-free loan of RMB375,000,000 to its ultimate controlling Shareholder, and there was no such issue during the Reporting Period.

#### **Proceeds from Global Offering and its 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 approximately HK\$915.4 million (equivalent to approximately RMB788.55 million), which will be allocated for utilisation in accordance with the purposes set out in the Prospectus. As at the date of this announcement, the utilisation of the aforementioned net proceeds is set out below:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering and utilisation		
		Amount available for utilisation RMB'000	Amount utilised RMB'000	Remaining amount RMB'000
Acquiring or investing in one high-quality expressway	70%	551,985	–	551,985
Establishing new business segments or acquiring other complementary business	10%	78,855	–	78,855
Improving the operational efficiency of expressways	10%	78,855	–	78,855
General corporate and working capital purposes	10%	78,855	351	78,504
Total	100%	788,550	351	788,149

## **Material acquisition and disposal**

The Group did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

## **Pledge of assets**

As at the end of the Reporting Period, the service concession arrangements of Chengwenqiong Expressway with a net carrying amount of RMB1,206,341,000 (2017: RMB1,268,113,000) were pledged to secure bank loans of RMB436,000,000 (2017: RMB:351,000,000) and other borrowings of RMB230,000,000 (2017: RMB:330,000,000). The service concession arrangements of Chengpeng Expressway with a net carrying amount of RMB1,377,302,000 (2017: RMB1,401,174,000) were pledged to secure bank loans of RMB533,000,000 (2017: RMB250,000,000).

## **Exchange rate fluctuation 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**

As at the end of the Reporting Period, the Group did not have any material contingent liabilities, nor did it provide any guarantees for related parties.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Save as the issuance of H Shares disclosed in the section headed "Subsequent Events" below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company from the Listing Date to the date of this announcement.

## **SUBSEQUENT EVENTS**

On 15 January 2019, the 400,000,000 H Shares issued by the Company at HK\$2.20 per H Share under Global Offering were listed and traded on the Main Board of the Stock Exchange.

On 4 February 2019, the over-allotment option described in the Prospectus was partially exercised by the sole representative, on behalf of the international underwriters, in respect of an aggregate of 56,102,000 H Shares, which were issued and allotted by the Company at HK\$2.20 per H Share. After the completion of the partial exercise of the over-allotment option, the registered share capital of the Company is RMB1,656,102,000, and the total number of Shares is 1,656,102,000. Such over-allotment Shares were listed and traded on the Main Board of the Stock Exchange on 12 February 2019. For details, please refer to the announcement of the Company dated 8 February 2019.

On 11 March 2019, all independent non-executive directors of the Company resolved that the Company would not participate in the project of Jingkun Expressway Expansion from Mianyang to Chengdu, Expressway from Mianyang to Cangxi and Expressway from Cangxi to Bazhong the bid of which was won by Chengdu Communications and three other companies, provided that the Company at all times reserves the acquisition options, right of first refusal and other rights under the non-competition agreement. For details, please refer to the announcement of the Company dated 11 March 2019.

On 27 March 2019, the Board amended the articles of association of the Company under the authorisation from the general meetings of the Company to reflect the changes of the registered share capital and the share structure of the Company after the partial exercise of the over-allotment option. For details, please refer to the announcement of the Company dated 27 March 2019.

## **CORPORATE GOVERNANCE**

### **Compliance with the Corporate Governance Code**

Since H Shares of the Company were not listed on the Stock Exchange in 2018, during the Reporting Period, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”) was not applicable to the Group. Since the Listing Date, the Company has adopted principles and code provisions as set out in the CG Code and has complied with applicable code provisions throughout the period from the Listing Date to the date of this announcement.

### **Compliance with the Model Code**

The Company has adopted the Model Code as the code of conduct for all Directors and Supervisors in conducting securities transactions of the Company. During the Reporting Period, H Shares of the Company were not listed on the Stock Exchange. The Company has made specific enquiries to all Directors and Supervisors, and they confirmed that they complied with the Model Code throughout the period from the Listing Date to the date of this announcement.

## **DIVIDENDS**

The Board recommended a final cash dividend of RMB215,293,260 in total, and based on the Company’s current total number of Shares of 1,656,102,000, RMB0.13 per Share (tax inclusive). The dividend distribution proposal is subject to the approval by the Shareholders at the AGM to be held on 27 June 2019. If approved, the final dividends are expected to be paid on 16 August 2019 to Shareholders whose names appear on the register of members of the Company on 9 July 2019. 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).

## **CLOSURE OF REGISTER OF MEMBERS**

The 2018 AGM of the Company will be convened on Thursday, 27 June 2019. In order to ascertain Shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Thursday, 27 June 2019 (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 in Hong Kong, 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 Monday, 27 May 2019. Shareholders whose names appear on the register of members of the Company on Tuesday, 28 May 2019 shall be eligible to attend the AGM.

The register of members of the Company will be closed from Thursday, 4 July 2019 to Tuesday, 9 July 2019 (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 in Hong Kong, 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, 3 July 2019. Shareholders whose names appear on the register of members of the Company on Tuesday, 9 July 2019 shall be eligible to receive final dividends.

## **ANNUAL REPORT**

The annual report for the year ended 31 December 2018 containing all the information required under Appendix 16 to the Listing Rules will be despatched to the Shareholders in due course and available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chengdugs.com](http://www.chengdugs.com)).

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The audit and risk management committee under the Board has reviewed the annual results of the Company for 2018.

## **DEFINITIONS**

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

“Articles of Association”	the articles of association of the Company
“AGM”	the annual general meeting of the Company to be held on 27 June 2019
“Board”	the board of Directors
“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 established in the PRC with limited liability on 6 September 1996, which is an associate of the Company with 40% of its equity interest 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 established in the PRC with limited liability on 24 December 1997, which is a non-wholly owned subsidiary of the Company with 55% of its equity interest held by the Company
“Chengdu Communications”	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company established in the PRC with limited liability on 16 March 2007, which is one of the controlling shareholders of the Company

“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 established in the PRC with limited liability on 25 June 1996, which is one of the controlling shareholders of 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 established in the PRC with limited liability on 11 September 2002, which is a non-wholly owned subsidiary of the Company with 99.33% of its equity interest held by 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 established in the PRC with limited liability on 26 October 1998, which is a wholly-owned subsidiary of the Company
“Company”	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company with limited liability incorporated in the PRC, the H Shares of which are listed and traded on the Stock Exchange
“Company Law”	The PRC Company Law
“Director(s)”	the director(s) of our Company
“Domestic Share(s)”	ordinary share(s) in our capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
“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 our Company with 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 dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	15 January 2019, the date when the H Shares of the Company are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules
“PRC”, “China” or the “People’s Republic of China”	the People’s Republic of China, excluding, for purposes of this announcement only, Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	The prospectus of the Company dated 28 December 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period” or the “Year”	the annual period ended 31 December 2018
“Share(s)”	share(s) of the Company, including the Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company

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

Chengdu, the PRC, 27 March 2019

*As at the date of this announcement, the board of directors of the Company comprises Mr. Tang Fawei, Mr. Zhang Dongmin, Ms. Wang Xiao 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.*