Sichuan Expressway Company Limited

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

(Stock Code: 00107)

2023

ANNUAL REPORT

CONTENTS

DEFINITIONS

In this section, the definitions are presented in alphabetical order (A–Z).

I. NAMES OF EXPRESSWAY PROJECTS

Airport Expressway	Chengdu Airport Expressway
Chengbei Exit Expressway	Chengdu Chengbei Exit Expressway
Chengle Expressway	Sichuan Chengle (Chengdu-Leshan) Expressway
Chengren Expressway	Chengdu-Meishan (Renshou) Section of ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway
Chengya Expressway	Sichuan Chengya (Chengdu-Ya'an) Expressway
Chengyu Expressway	Chengyu (Chengdu-Chongqing) Expressway (Sichuan Section)
Second Ring (Western) Expressway	West Section of Chengdu Second Ring Expressway
Suiguang Expressway	Sichuan Suiguang (Suining-Guang'an) Expressway
Suixi Expressway	Sichuan Suixi (Suining-Xichong) Expressway
Tianqiong Expressway	Tianqiong（Chengdu Tianfu New Area – Qionglai）Expressway

II. BRANCHES, SUBSIDIARIES AND PRINCIPAL INVESTED COMPANIES

Airport Expressway Company	Chengdu Airport Expressway Company Limited
Chengbei Company	Chengdu Chengbei Exit Expressway Company Limited
Chengle Company	Sichuan Chengle Expressway Company Limited
Chengle Operation Branch	Operation and Management Branch of Sichuan Chengle Expressway Company Limited
Chengqiongya Company	Sichuan Chengqiongya Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengya Oil Company	Sichuan Chengya Expressway Oil Supply Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited
Chengyu Branch	Sichuan Expressway Company Limited Chengyu Branch
Chengyu Development Fund	Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership)
Chengyu Logistics Company	Sichuan Chengyu Logistics Company Limited
Chengyu Private Equity Fund Company	Sichuan Chengyu Private Equity Fund Management Co., Ltd.
Chengyu Supply Chain Management Company	Sichuan Chengyu Xingshu Supply Chain Management Company Limited
Chengyu Yingchuang Investment	Chengdu Chengyu Yingchuang Equity Investment Partnership (Limited Partnership)

CSI SCE	CSI SCE Investment Holding Limited
Lushan Shuhan Company	Lushan County Shuhan Engineering Construction Management Co., Ltd.
Lushan Shunan Company	Lushan County Shunan Engineering Construction Project Management Co., Ltd.
Multimodal United Transportation Company	Sichuan Multimodal United Transportation Investment and Development Co., Ltd.*
Renshou Shunan Company	Renshou Shunan Investment Management Company Limited
Rongcheng Second Ring Company	Sichuan Rongcheng Second Ring Expressway Development Co., Ltd.
Shudao Chengyu Investment Company	Sichuan Shudao Chengyu Investment Company Limited
Shudao New Energy Company	Sichuan Shudao New Energy Technology Development Co., Ltd.*
Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Chengxing Company	Ziyang Shunan Chengxing Project Construction & Management Co., Ltd.
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shuxia Company	Sichuan Shuxia Industrial Company Limited
Suiguang-Suixi Company	Sichuan Suiguang-Suixi Expressway Company Limited
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited
Zhongxin Company	Sichuan Zhongxin Assets Management Co., Ltd.

III. OTHERS

2023 AGM	the 2023 annual general meeting of the Company to be convened on 23 May 2024 (Thursday)
A Share(s)	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Articles of Association	the articles of association of the Company, as amended from time to time
associated corporation(s)	has the meaning ascribed thereto under the SFO
Audit Committee	the audit committee under the Board
Board	the board of Directors
BOT Project	build-operation-transfer project
BT Project	build-transfer project
Chengle Expressway Capacity Expansion Construction Project	Capacity Expansion Construction Project for Chengdu to Leshan Expressway
China Merchants Expressway Company	China Merchants Expressway Network and Technology Holdings Co., Ltd., the substantial shareholder of the Company
Company	Sichuan Expressway Company Limited, a joint-stock company incorporated in the PRC, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 00107) and A shares are listed on the SSE (stock code: 601107)
CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company

Dividend Entitlement Date	12 June 2024 (Wednesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2023 final dividend of the Company (if approved by the Shareholders at the 2023 AGM)
ESG	environment, society and governance
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the Main Board of the Stock Exchange
HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules on the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by the Directors and the Supervisors of the Company
NFRA	National Financial Regulatory Administration
Nomination Committee	the nomination committee under the Board
PPP	Public-Private Partnership, a form of cooperation between the government and social capital
PRC or Mainland China	the People's Republic of China, for the purpose of this annual report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, the PRC
Remuneration and Appraisal Committee	the remuneration and appraisal committee under the Board
RMB	Renminbi, the lawful currency of the PRC

Road & Bridge International	Road & Bridge International Co., Ltd, a company incorporated in the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	A Share(s) and/or H Share(s) (as the case may be)
Shareholder(s)	registered holder(s) of the Share(s)
Shudao Expressway	Sichuan Shudao Expressway Group Co., Ltd.*
Shudao Financial Leasing Company	Shudao Financial Leasing (Shenzhen) Company Limited, (formerly known as "Chengyu Financial Leasing Company Limited" with former abbreviation "Chengyu Financial Leasing Company"), and the change of name was completed on 2 August 2023
Shudao Group	Shudao Investment and its subsidiaries (other than the Group)
Shudao Investment	Shudao Investment Group Co., Ltd., the controlling shareholder of the Company
Sichuan Expressway Construction and Development	Sichuan Expressway Construction & Development Group Co., Ltd.
SSE	Shanghai Stock Exchange
STIG	Sichuan Transportation Investment Group Corporation Limited
STIG Group	STIG and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategic Committee	the strategic committee under the Board
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	supervisory committee of the Company

Tianqiong Expressway BOT Project	the project of Chengdu Tianfu New District to Qionglai Expressway in the form of BOT (build–operate–transfer)
Transportation Construction Company	Sichuan Transportation Construction Group Co., Ltd.
Year or Reporting Period	the 12 months ended 31 December 2023

In this annual report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purposes only. In the event of any inconsistency between the Chinese and English names, the Chinese names shall prevail.

CORPORATE INFORMATION

Statutory Chinese and English Names of the Company	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
Legal Representative *(Note)*	You Zhiming (Executive Director, Vice Chairman and General Manager, Acting Chairman)
Company's Website	http://www.cygs.com
Company's Registered Address and Office Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal Code	610041
Secretary to the Board	Yao Jiancheng
Tel	(86) 28-8552-7504
Joint Company Secretaries	Yao Jiancheng and Wong Wai Chiu
Representative of Securities Affairs *(Note)*	Qiu Zhu
Tel	(86) 28-8552-7109
Fax	(86) 28-8553-0753
Investors' Hotline	(86) 28-8552-7109
E-mail Address	db@cygs.com
Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Stock Exchanges of the Listing Shares	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express

Notes:

1. It is for the information about the legal representative as at 27 March 2024. On 20 October 2023, Mr. Gan Yongyi, the former legal representative of the Company, resigned. On 15 March 2024, the Company convened the 13th meeting of the eighth session of the Board and resolved to elect Mr. You Zhiming as the vice chairman of the eighth session of the Board and appoint him as the general manager of the Company, for a term of office commencing on the date of the consideration and approval by the Board and ending on the date of expiry of the term of office of the eighth session of the Board. In view of the fact that the election of the new chairman of the Board is subject to corresponding statutory procedures, the Company resolved to elect Mr. You Zhiming as the acting chairman of the Board in accordance with the relevant laws and regulations and the Articles of Association, commencing on the date on which the matter was considered and approved and ending on the date on which the new chairman of the Board was elected and assumes office. The Company will handle the registration of change in corporate information pursuant to the relevant laws and regulations as soon as possible upon the election of the new chairman of the Board.

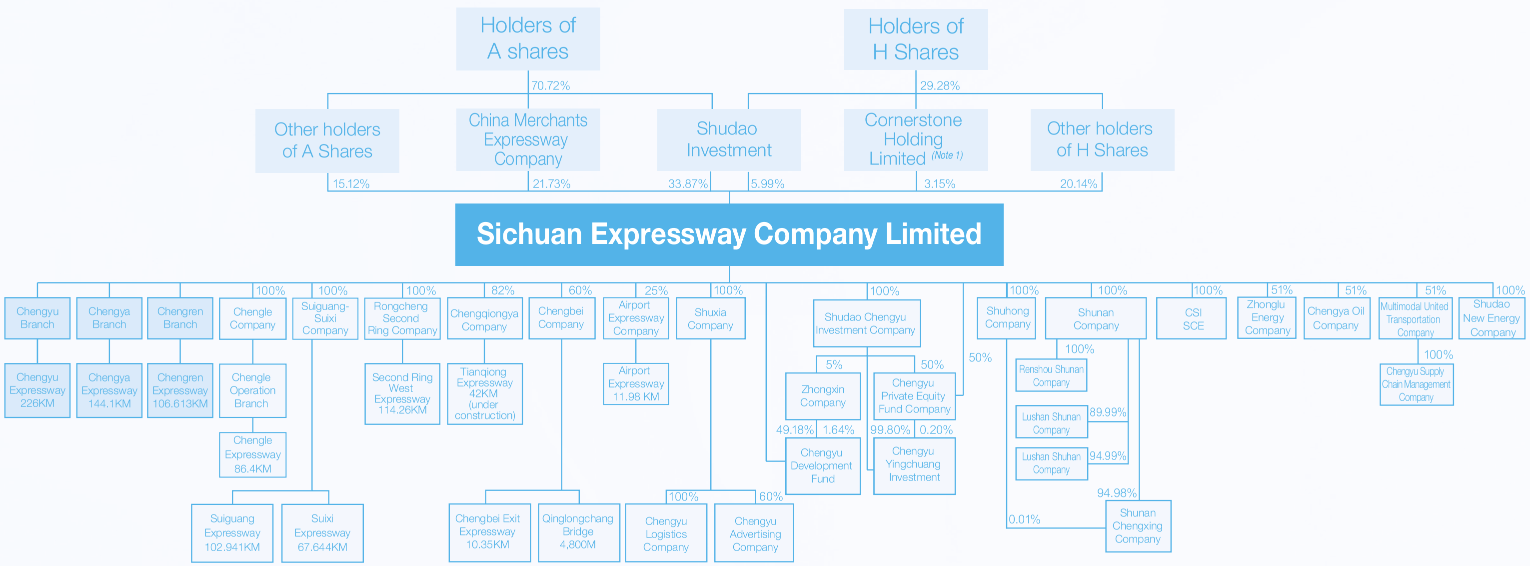
2. Ms. Tu Wenying, who was appointed on 14 June 2022, ceased to serve as the representative of securities affairs of the Company due to work adjustment. On 30 March 2023, the Company convened the fourth meeting of the eighth session of the Board and resolved to appoint Ms. Qiu Zhu as the representative of securities affairs of the Company for a term until the expiry of the term of office of the eighth session of the Board. Ms. Qiu Zhu is eligible for re-election upon expiry of her term of office.

CORPORATE INFORMATION (CONTINUED)

Newspapers Selected by the Company for Information Disclosure	China Securities Journal, Shanghai Securities News
Websites Designated for Publication of the Annual Report of the Company	http://www.sse.com.cn http://www.hkexnews.hk http://www.cygs.com
Place for Inspection of the Annual Report of the Company	PRC: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC Hong Kong: Room 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young Certified Public Accountants 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
PRC Auditor	Shinewing Certified Public Accountants (Special General Partnership) 8th Floor, Block A, Fu Hua Mansion, No.8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing City, the PRC
Hong Kong Legal Adviser	Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Beijing Zhongyin (Chengdu) Law Firm (北京市中銀(成都)律師事務所) 13th Floor, Block B, OCG International Center, No. 158 Tianfu 4th Avenue, GaoXin District, Chengdu, Sichuan Province, the PRC (中國四川省成都市高新區天府四街158號OCG國際中心B座13層)
Domestic Shares Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited Shanghai Branch 188 South Yanggao Road, Pudong New Area, Shanghai, the PRC
Hong Kong Shares Registrar and Transfer Office	Hong Kong Registrars Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Place of Business in Hong Kong	Rooms 2201–2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
Unified Social Credit Code	9151000020189926XW
Principal Banker	China Construction Bank

The Company was incorporated in the Industry and Commerce Bureau of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009, respectively. The Group is principally engaged in the investment, construction, operation and management of expressway and the expansion of traditional core businesses of derivative economy along the expressway, as well as the incubation and development of the green energy with a focus on "charging, battery bank + power replacement and hydrogen energy". Currently, the Group mainly owns all or substantially all interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suixi Expressway, Suiguang Expressway, Second Ring (Western) Expressway and Tianqiong Expressway under construction. As at 31 December 2023, the expressways mileage of the Group has reached approximately 858km in total, the length of Tianqiong expressways under construction was approximately 42km, the length of expansion of Chengle Expressway, including the 86.4km of the original Chengle Expressway, was approximately 136.1km. The Group's total asset and net asset were approximately RMB57,640,787,000 and RMB16,673,281,000 respectively.

As at 31 December 2023, the total number of share capital of the Company is 3,058,060,000 Shares (including 895,320,000 H Shares and 2,162,740,000 A Shares), the shareholders and asset structure of the Company are as follows:



Notes:

1. Cornerstone Holding Limited, a wholly-owned subsidiary of China Merchants Expressway Company, was interested in the H shares of the Company. By virtue of the SFO, China Merchants Expressway Company is therefore deemed to be interested in such Shares held by Cornerstone Holding Limited.

2. On 17 February 2023 and 30 March 2023, the Company convened the third meeting of the eighth session of the Board and the 2023 second extraordinary general meeting of the Company, respectively, at which the Resolution on the Acquisition of 100% Equity Interest in Rongcheng Second Ring Company was considered and approved, and agreed to acquire 100% equity interest in Rongcheng Second Ring Company by cash. As disclosed in the overseas regulatory announcement dated 4 May 2023 published on the Stock Exchange and the Announcement on Progress of the Related-Party Transaction in relation to Acquisition of 100% Equity Interest in Rongcheng Second Ring Company published on the SSE, the Company has completed the transfer of equity interest during the Reporting Period and has duly included Rongcheng Second Ring Company into the consolidated financial statements.

本集團轄下高速公路路網示意圖
Road Network of the Group's Expressways

CHAIRMAN'S STATEMENT

I would like to report on behalf of the Board to the Shareholders. The year 2023 is the inaugural year for the full implementation of the spirit of the 20th National Congress of the CPC, and is also a key nexus for the implementation of the Company's "14th Five-Year Plan". Faced with a complex and severe international and market environment, the Group maintained its determination, overcame difficulties, coordinated development and security, and earnestly implemented various strategic plans, making contributions to the accelerated operation and upturn of the local economy and society.

RESULTS AND DIVIDENDS

In 2023, the Group's profit attributable to the owners of the Company was approximately RMB1,190,814,000, representing a year-on-year increase of 89.95%. Basic earnings per share were approximately RMB0.389 (2022 (restated): approximately RMB0.205). In accordance with the provisions in the Articles of Association, if the Company distributes cash dividend, the sum of such cash dividend shall not be less than 30% of the profit available for distribution to the Shareholders recorded by the Company for the period concerned (the lower of the profit available for distribution to the Shareholders under PRC accounting standards and that under foreign accounting standards). To reward and thank the Shareholders for their continued support to the Group, the Board has recommended a final cash dividend for the year 2023 of RMB0.24 per share (tax inclusive), aggregating to approximately RMB733,934,000, representing 60.22% of the profit available for distribution to the Shareholders recorded by the Company for the year in accordance with the PRC accounting standards and 61.83% of the profit attributable to the owners of the Company (calculated under the PRC accounting standards) as shown in the consolidated financial statements of the Company. The proposed dividend is subject to approval at the forthcoming 2023 Annual General Meeting of the Company.

REVIEW

Macroeconomics rebounding for the better. In 2023, in the face of a complex and severe international environment and the arduous task of domestic reform, development, and stabilization, the State adhered to the general tone of seeking progress while maintaining stability, and accelerated the construction of a new development pattern. China's economy rebounded to a positive trend. The supply and demand have steadily improved, transformation and upgrading have been actively promoted, employment and price levels have been generally stable, and people's livelihood was strongly and effectively secured, making solid progress in high-quality development, with an annual GDP of RMB126.06 trillion, representing an increase of 5.2% at constant prices over the previous year. The added value of the service industry was RMB68.82 trillion, representing an increase of 5.8%[1] over the previous year. During the year, Sichuan Province has earnestly implemented the provincial party committee's development strategy of "Four Mordernizations, Urban-Rural Integration, Co-prosperity in Five Areas". It made all-out efforts to boost the economy and improve the construction, resolutely promoted high-quality development, strived to expand domestic demand while optimizing the structure, boosting confidence, and preventing and resolving risks, and successfully completed the objectives and tasks of economic and social development throughout the year. The province's total GDP exceeded RMB6 trillion, with a growth rate of 6%, ranking first with three other provinces among the top ten economic provinces. The annual investment in railway and highway construction completed in Sichuan Province ranked first in China, with an additional mileage of 524 kilometers of railway and 624 kilometers of expressway, as well as 6 new major channels into and out of Sichuan, reaching 48[2].

---

1 Source: National Bureau of Statistics
2 Source: Sichuan Provincial People's Government Website

Stable recovery of transportation. In 2023, the transportation industry adhered to the general tone of seeking progress while maintaining stability. The level of security and emergency support and comprehensive transportation services continued to improve, and the comprehensive three-dimensional transportation network improved rapidly. The specific work of accelerating the construction of a strong transportation nation was solidly advanced, the transportation and logistics were vigorously promoted to ensure smooth flow, the innovation-driven development of transportation was deeply promoted, and the clean and low-carbon transformation of transportation was accelerated, further deepening the opening up and cooperation with foreign countries. During the year, Sichuan Province was expected to complete an investment of RMB268.5 billion in highway and waterway construction, a year-on-year increase of 7%, exceeding RMB200.0 billion for three consecutive years, and more than RMB100 billion for 13 consecutive years[3]. The investment in transportation construction continued to grow at a high level, effectively supporting the implementation of major plans serving the country and provinces, and consolidating and expanding the effective convergence between the achievements of poverty alleviation and rural revitalization. The security capacity of transportation services continued to improve, the innovation-driven development of transportation was deeply promoted, and the green and low-carbon development of transportation was accelerated, leading to a more systematic and complete industry governance system, and shoring up the bottom line of safety and stability for the industry.

In 2023, the Company focused on five major directions of "accelerating project expansion, strengthening capital operation, enhancing investment, construction and operation, reinforcing cost control and quality enhancement, and deepening reform and innovation", and solidly promoted high-quality enterprise development. As at the end of 2023, the Company maintained the highest AAA rating for both entities and bonds, and was rated as one of the top 100 enterprises and top 100 service enterprises in Sichuan Province for 4 consecutive years, fully demonstrating the corporate brand value.

Deeply cultivating main responsibilities and main businesses, and enhancing competitive strength. The Company continued to improve the quality of highway traffic services, built a strong management and guarding team, launched special actions to enhance the road environment, and ensured smooth traffic for the FISU World University Games. The Company completed preventive maintenance of the road surface, and the road was in good condition compared to the sections that were opened to traffic at the same time; accelerated the upgrading of auxiliary facilities, transformed high-traffic service areas such as Jiajiang and Yongxing, and created another "warm home" in the Meishan service area; cracked down on toll evasion, and maintained the order of toll collection on the road network. The Company effectively improved technical strength, made the electromechanical operation and maintenance of the road company 100% independent, comprehensively upgraded self-developed cloud control integrated operation and maintenance, smart Chengdu-Chongqing, electromechanical inspection and other platforms, launched paperless toll system, piloted new intelligent toll robots, free-flow gantries, truck ETC, to effectively improve traffic efficiency. The Company optimized and adjusted industrial structure, continued to strengthen multimodal united transportation, concentrated on highway derivative economy along the lines, and continued to increase its revenue from the sale of oil products, to achieve a double increase in "volume and efficiency". It also strengthened cost control in all aspects, coordinated and enhanced capital management, and smoothed internal circulation.

[3] Source: https://jtt.sc.gov.cn/

Strengthening capital operations, and promoting key projects. The Company expanded development around highway projects, making its core resource advantages more prominent. The capital operation materialized with the successful acquisition of the equity interest of Rongcheng Second Ring Company, which increased the mileage under its management by 114 kilometers, reaching a total operating mileage of 858 kilometers. The investment and construction projects of expressway were pushed forward in an orderly manner, including the full completion and opening of the original road expansion section of Chengle Expansion Construction Project, the completion and opening of the transit multiple-track section and the endpoint transition section in the city of Leshan, the awarding of the Tianfu Cup gold medal for the section from Meishan to Leshan, and the obtaining of the approval of land use for the Chengdu section by the Ministry of Natural Resources; the high-quality and efficient acceleration of the Tianqiong project, the two-way connection of the Lihuashan tunnel, the full completion of the Yang'an elevated bridge; the completion and acceptance of the Second Ring (Western). The Company made breakthroughs in independent scientific and technological innovation, and obtained more than 30 technical patents throughout the year; the world's first "Low-carbon Intelligent Assembly Composite Bridges", Penshan Qinglong Bridge, was commissioned under the Chengle Expansion Construction Project, which reduces energy consumption by 32%; the design of intelligent bridge construction equipment made significant progress, and the intelligent welding robot for the field of wave plate completed the test site; the binocular vision intelligent detection system obtained the calibration certificate of index measurement and is was initially qualified for promotion.

Focusing on green energy, and building industrial network. The Company vigorously cultivated green energy industry clusters and accelerated the cultivation of industry from "connecting dots to form lines" to "weaving lines to form a network" at full speed, to enhance the scale effect and market influence more quickly. The on- and off-road networks charging business expanded steadily, with 140 charging stations operated within the road network of the Shudao Group, including 4 supercharging stations; the number of charging piles on expressways has exceeded 1,000, ranking first in Sichuan in terms of scale, contributing to the realization of the full coverage of the charging network in the service area; the marketization process was accelerated, with 4 charging stations invested and constructed at high-quality locations outside the road network; the smart operation platform for charging and exchange was launched, realizing the basic function of data analysis. The electric corridor and hydrogen corridor was gradually established to support the construction of Chengdu-Chongqing Economic Circle, and the first expressway charging and exchange corridor for heavy-duty truck in China has been put into operation. The Company has jointly built an industrial ecosystem to implement the "Electric Sichuan" action; and tapped road network resources and deepened cooperation with leading enterprises in the new energy industry.

Solidifying risk management, and building safety defenses. The Company focused on key areas such as investment, operation and safety production, comprehensively enhanced risk analysis and judgment capability, resolved stock risks, prevented incremental risks, and resolutely defended the bottom line. The Company strengthened the risk management of operation and investment, effectively solved the problems of collection of receivables, liquidation of the Science and Technology Transfer Center, confirmation of the right to expressway land, and the risk of Western's creditor's rights; deepened and refined compliance management, promoted the construction of compliance internal control system, and obtained compliance management system certification from the British Standards Institute (BSI), becoming the first domestic expressway operation and management enterprise that has been certified; maintained safety and environmental protection defense line, resolutely carried out flood prevention, disaster mitigation and safety production, built responsibility system that directly reaches to the grassroots level, established new mode of safety management, set up emergency command and dispatch center, and pioneered the "three bases" construction standards for expressway operation and safety production, thus building the cornerstone for safety development. The Company adhered to the concept of green development, completed the inspection and rectification of provincial ecological and environmental protection, and cooperated with local governments to maintain the ecological environment along the expressways and surrounding areas.

OUTLOOK AND STRATEGY

The year 2024 is a critical year for the realization of the objectives and tasks of the "14th Five-Year Plan", and a critical period for the Company's optimization and adjustment of its industrial layout, continued consolidation of its resource advantages, and gradual shaping of its market-oriented mechanism, we must further understand and take advantage of the situation, make progress amidst stability, and take the initiative.

In terms of macroeconomic environment, China's development is still in an environment where strategic opportunities and risks and challenges coexist. China has significant institutional advantages, a huge market demand advantage, a complete industrial system supply advantage, and a talent advantage with a large number of high-quality laborers. The ability for technological innovation continues to be improved and new industries, models, and driving forces are growing rapidly. Although there are still issues such as insufficient domestic demand, excess capacity in some industries, weak social expectations, and numerous risks, the basic trend of economic recovery and long-term improvement has not changed, and the factors supporting high-quality development have been accumulating and increasing, so China's economy has the basis and conditions for good development. In 2024, China will fully implement the new development concept, adhere to the principle of seeking progress while maintaining stability, promoting stability through advancement, and first establishment and then breakthrough, strengthen the awareness of unexpected development, maintain strategic focus, exert the advantages of institutional mechanisms, make good use of the policy toolbox to put strategic tasks in place, such as accelerating the construction of a modernized economic system, promoting a high level of scientific and technological self-reliance and self-enhancement, expediting the establishment of a new pattern of development, coordinating the promotion of deep-rooted reforms and a high level of openness, and the high-quality development and a high level of security, and improve the assessment and evaluation system for the promotion of high-quality development, so as to lay a solid foundation for promoting high-quality development.

In terms of regional economy, Sichuan Province will solidly promote the construction of Chengdu-Chongqing Economic Circle, deeply implement the provincial party committee's development strategy of "Four Modernizations, Urban-Rural Integration, Co-prosperity in Five Areas", attract and lead the coordinated development of the region, coordinate the promotion of new-type industrialization and the cultivation of new-quality productivity, work together to create a world-class industrial cluster, and push forward the construction of the Chengdu-Chongqing "Hydrogen Corridor" at a high level and with great efforts; focus on the central work of economic construction and the primary task of high-quality development, adhere to the principle of seeking progress while maintaining stability, promoting stability through advancement, and first establishment and then breakthrough, insist on relying on reform and opening up to strengthen the endogenous driving force of development, and strengthen the leadership of scientific and technological innovation; coordinate the expansion of domestic demand and the deepening of supply-side structural reform, the new urbanization and comprehensive rural revitalization, and the high-quality development and high-level security, so as to practically strengthen the vitality of the economy, prevent and dissolve the risks, and improve the expectation of the society, to consolidate and enhance the uptrend of the economy, and to continue to promote the effective improvement of the quality of the economy and the reasonable growth of its quantity.

In terms of industry development prospects, the "Outline of Building China into a Country with Strong Transportation Network" and "National Comprehensive Three-dimensional Transportation Network Planning Outline" will be thoroughly implemented in transportation, the "Accelerating the Construction of a Strong Transportation Nation Five-Year Action Plan (2023–2027)" will be vigorously enforced, and a series of planning tasks for the "14th Five-Year Plan" will be realized. In 2024, Sichuan Province will strive to complete an investment of more than RMB260 billion in highway and waterway transportation construction[4], speed up the progress of expressway projects under construction, and endeavour to have the mileage of both completed and newly constructed expressways exceeding 500 kilometers, and the mileage of expressways put into operation exceeding 10,000 kilometers[5]. The Company will strive to achieve the five goals of providing strong support for the overall situation, transforming and upgrading transportation services, improving quality and efficiency of industry governance, sustaining breakthroughs in innovation, and enhancing green and low-carbon quality, build national comprehensive three-dimensional transportation pole, promote the formation of transportation structure that is appropriate for supply and demand, and create a safe and resilient transportation system.

In terms of the Company's development, in 2024, the Company will take into account both the present and the long term, better coordinate development and security, increase efforts on capital operation, accelerate industrial transformation and upgrading, improve the ability of reform and innovation, accelerate the creation of new advantages, make all-out efforts to expand new space, proactively cultivate new momentum, solidly push forward high-quality and sustainable development, strive to make new breakthroughs in changing methods, adjusting structure, optimizing management, improving quality, and increasing efficiency, and strive to achieve effective improvement in quality and reasonable growth in quantity. The Company will focus on the following aspects:

Firstly, around the main responsibility and main business, continue to build the foundation for the development of the core business of expressways, improve the performance of operation and management, implement digital transformation, continuously expand the development space of the green energy industry, and create a green energy industry cluster; Secondly, actively integrate into the market, grasp the trend of the industry, insist on effective and efficient investment, clearly target at the major direction, promote the transformation and development of some enterprises, expand the multimodal transportation platforms, strengthen equity investment platforms to create urban service platforms, transform technology transformation platforms, and upgrade oil product supply and marketing platforms; Thirdly, scientifically formulate project construction plans, ensure key elements, strengthen construction supervision, develop and promote intelligent construction equipment, improve project engineering quality, and complete construction targets on schedule; Fourthly, focus on resolving key issues such as main business expansion, revenue growth and upgrading of growth drivers, expand asset scale, improve profit levels, enhance financing capacity, optimize capital structure, and increase shareholder interaction; Fifthly, continue to improve the healthy cost control system, make full use of the financial policies to support high-quality development of transportation, maintain controllable costs at low levels, promote the quality of operation, and achieve optimal costs and maximum benefits; Sixthly, take the new round of state-owned enterprise reform as an opportunity, aim at establishing sound market-oriented operation mechanism, continuously enhance the internal driving force, push forward the reform of organizational structure, system and mechanism, promote the formation of cadres and talent teams, and establish a full-level, diversified mid- and long-term incentive mechanism; Seventhly, firmly maintain the bottom line, establish normalized identification mechanism for safety and environmental protection risks, build strong professional team of safety management personnel, and keep the safety and environmental protection situation in a sustainable and stable manner; Eighthly, perfect risk management and control, improve compliance and internal control mechanism, strengthen information management and control, and improve petition comforting.

[4] Source: website of Department of Transportation of Sichuan Province

[5] Source: Sichuan Provincial People's Government website

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all investors, clients, business partners and the public for their support and trust, and my sincere appreciation to our Directors, Supervisors, management and staff for their hard work over the past year.

You Zhiming
Executive Director, Vice Chairman and
General Manager, Acting Chairman

Chengdu, Sichuan Province, the PRC
27 March 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW AND ANALYSIS

(i) Results overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects and the expansion of traditional core businesses of derivative economy along the expressway, as well as the foster and development of green energy industry with a focus on "charging, battery bank + power replacement and hydrogen energy". In 2023, in the face of a complex and challenging international environment, the domestic economy rebounded and improved as the country concentrated on facilitating Chinese-style modernization with high-quality development. In response to the economic development situation, the Group was confident in concentrating on main business and seized the opportunities based on the "14th Five-Year" development plan, and took various measures to promote its stable operation and high-quality development by focusing on the direction of "accelerating project development, enhancing capital operation, improving investment, construction and operation, strengthening cost control and quality enhancement, and deepening reforms and innovations".

The net revenue of the Group amounted to approximately RMB11,580,867,000 this year, representing a year-on-year increase of approximately 11.15%. In particular, the expressway segment achieved net revenue of approximately RMB4,721,287,000, representing a year-on-year increase of approximately 25.39%; the new energy technology segment achieved net revenue of approximately RMB64,845,000, representing a year-on-year increase of approximately 455.89%; the transportation services segment achieved net revenue of approximately RMB1,959,766,000, representing a year-on-year decrease of approximately 0.66%; the transportation logistics segment achieved net revenue of approximately RMB718,809,000, representing a year-on-year increase of approximately 122.96%; the construction services segment achieved net revenue of approximately RMB4,116,160,000, representing a year-on-year decrease of approximately 1.83%. The profit attributable to the owners of the Company was approximately RMB1,190,814,000, representing a year-on-year increase of 89.95%. Basic earnings per share were approximately RMB0.389 (2022 (restated): approximately RMB0.205). As at 31 December 2023, the Group's total assets amounted to approximately RMB57,640,787,000 and net assets amounted to approximately RMB16,673,281,000.

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

	Revenue for 2023 (after deduction of turnover tax) *(RMB '000)*	Year-on-year increase/ (decrease) in revenue for 2023 *(%)*	Profit/(loss) for 2023 *(RMB '000)*	Year-on-year increase/ (decrease) in profit/(loss) for 2023 *(%)*
Chengyu Branch *(Notes 1, 2)*	816,769	25.55	271,225	70.48
Chengya Branch *(Notes 1, 2)*	1,036,055	16.74	482,322	21.49
Chengren Branch *(Notes 1, 2)*	925,922	34.83	372,073	69.92
Chengle Company *(Note 3)*	533,672	25.61	280,737	48.11
Chengbei Company *(Note 4)*	107,674	1.83	34,682	(21.20)
Suiguang-Suixi Company *(Note 5)*	439,619	26.72	(278,991)	(20.68)
Rongcheng Second Ring Company *(Note 6)*	872,060	29.46	26,197	119.11
Shunan Company *(Note 7)*	–	100.00	(51,604)	(232.83)
Renshou Shunan Company *(Note 8)*	–	100.00	18,451	(34.94)
Shunan Chengxing Company *(Note 9)*	2,182	(79.18)	(2,276)	(107.68)
Lushan Shuhan Company *(Note 10)*	112,774	5.97	210	(96.53)
Lushan Shunan Company *(Note 11)*	24,493	(21.81)	1,439	(39.18)
Shuhong Company *(Note 12)*	58,320	136.83	1,295	112.03
Shuxia Company *(Note 13)*	116,306	71.49	23,898	158.78
Chengyu Advertising Company *(Note 14)*	8,334	153.01	1,305	153.93
Chengyu Logistics Company	–	N/A	–	N/A
Intermodal Transportation Company *(Note 15)*	288,000	(10.67)	296	100.78
Chengyu Supply Chain Management Company *(Note 16)*	430,810	149,486.81	39,802	161.86
Shudao Chengyu Investment Company *(Note 17)*	(2)	N/A	(1,020)	(81.11)
Chengya Oil Company *(Note 18)*	645,122	(15.46)	41,407	5.96
Zhonglu Energy Company *(Note 19)*	1,186,575	7.36	44,796	42.95
Shudao Financial Leasing Company *(Note 20)*	–	(100.00)	–	(100.00)
Shudao New Energy Company *(Note 21)*	64,844	455.93	(31,980)	438.57
Chengyu Private Equity Fund Management Company *(Note 22)*	14	(95.71)	(2,043)	6.57
CSI SCE *(Note 23)*	–	N/A	15,096	463.49
Chengyu Yingchuang Investment	–	N/A	(13)	N/A

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

Note 2: Chengyu Branch, Chengya Branch and Chengren Branch recorded an increase of RMB166,210,000 or 25.55%, RMB148,585,000 or 16.74% and RMB239,191,000 or 34.83%, respectively, in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded an increase of RMB112,129,000 or 70.48%, RMB85,315,000 or 21.49% and RMB153,098,000 or 69.92%, respectively, in the profit for the year as compared with that of last year, which was mainly due to the rebound in traffic volume as a result of the impact of factors such as recovery of the social economy, significant increased demand for personnel travel and enhancement of the Company's operation and services, leading to a significant increase in toll revenue.

Note 3: Chengle Expressway recorded an increase of RMB108,792,000 or 25.61% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded an increase of RMB91,187,000 or 48.11% in the profit for the year as compared with that of last year, mainly due to the growth in traffic volume as a result of recovery of the social economy, increased demand for personnel travel and enhancement of the Company's operation and services, leading to a corresponding increase in revenue and profit.

Note 4: Chengbei Expressway recorded a decrease of RMB9,328,000 or 21.20% in the profit for the year as compared with that of last year, mainly due to the increase in costs as a result of the temporary addition of the road environment improvement and renovation project and the decrease in interest income from the Xindu District Debt Compensation, which in aggregate resulted in a decrease in the profit as compared with that of the previous year.

Note 5: Suiguang-Suixi Expressway recorded an increase of RMB92,693,000 or 26.72%, in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded a decrease of RMB72,758,000 or 20.68% in the loss for the year as compared with that of last year, which was mainly due to the increase in traffic volume on the adjacent road section affected by recovery of the social economy, enhancement of the Company's operation and services and construction of the road section, and the decrease in loss for the year as a result of the increase in toll income and the decrease in interest rate of the syndicated loan.

Note 6: Rongcheng Second Ring Company recorded an increase of RMB198,437,000 or 29.46% in the toll income (after deduction of turnover taxes) for the year as compared with that of last year, and recorded an increase of RMB163,271,000 or 119.11% in the profit for the year as compared with that of last year, mainly due to the growth in revenue and profit as a result of recovery of the social economy, increased demand for personnel travel and enhancement of the Company's operation and services.

Note 7: Shunan Company recorded a decrease of RMB90,455,000 or 232.83% in profit for the year as compared with that of last year, mainly due to the non-receipt of dividends from its subsidiaries and the decrease in interest income during the year.

Note 8: Renshou Shunan Company recorded a decrease of RMB9,910,000 or 34.94% in the profit for the year as compared with that of last year, mainly due to the return from the Qingshui Third Ring Project and the decrease in capital utilisation rate.

Note 9: Shunan Chengxing Company recorded a decrease of RMB8,300,000 or 79.18% in the income for the year as compared with that of last year, mainly due to the decrease in operation and maintenance revenue; and recorded a decrease of RMB31,910,000 or 107.68% in the profit for the year as compared with that of last year, mainly due to the decrease in operation and maintainance revenue and interest income arising from construction contracts.

Note 10: Lushan Shuhan Company recorded a decrease of RMB5,850,000 or 96.53% in the profit for the year as compared with that of last year, mainly due to the progress of the construction works, which resulted in the increase in interest expenses arising from the increase in shareholders' borrowings.

Note 11: Lushan Shunan Company recorded a decrease of RMB6,833,000 or 21.81% in the income for the year as compared with that of last year, and recorded a decrease of RMB927,000 or 39.18% in the profit for the year as compared with that of last year, mainly due to a corresponding decrease in income and profit as a result of the decrease in revenue from construction services.

Note 12: Shuhong Company recorded an increase of RMB33,695,000 or 136.83% in the income for the year as compared with that of last year, mainly due to the company's active expansion of business for the year, resulting in the increase in revenue from construction services; and recorded an increase of RMB12,063,000 or 112.03% in the profit for the year as compared with that of last year, mainly due to the strict control of costs and expenses.

Note 13: Shuxia Company recorded an increase of RMB48,487,000 or 71.49% in the income for the year as compared with that of last year, and recorded an increase of RMB14,663,000 or 158.78% in the profit for the year as compared with that of last year, mainly due to the elimination of negative impacts for the year, such as rent reduction and exemption policy, resulting in a significant increase in rental income in the gas station and service area as compared with last year, and the active expansion of business with the addition of several businesses, including community group purchasing, which in aggregate resulted in a corresponding increase in revenue and profit of Shuxia Company.

Note 14: Chengyu Advertising Company recorded an increase of RMB5,040,000 or 153.01% in the income for the year as compared with that of last year, profit for the year increased by RMB3,725,000 or 153.93% as compared with that of last year, mainly due to the increase in revenue from advertising and design production brought about by the socio-economic recovery.

Note 15: Intermodal Transportation Company recorded a decrease of RMB34,397,000 or 10.67% in the income for the year as compared with that of last year, mainly due to the adjustment of business direction; and recorded an increase of RMB38,107,000 or 100.78% in the profit for the year as compared with that of last year, mainly due to the provision of expected credit losses in the previous year.

Note 16: Chengyu Supply Chain Management Company recorded an increase of RMB430,522,000 or 149,486.81% in the income for the year as compared with that of last year, mainly due to the company's active expansion of market, resulting in the increase in income from North-to-South Grain Transportation business; and recorded an increase of RMB24,602,000 or 161.86% in the profit for the year as compared with that of last year, mainly due to the increase in income for the year and the reversal of expected credit losses provided for in the previous year.

Note 17: Shudao Chengyu Investment Company recorded a decrease of RMB4,380,000 or 81.11% in the loss for the year as compared with that of last year, mainly due to the increase in profit of RMB5,241,000 arising from the change in the fair value of financial assets at fair value through profit or loss.

Note 18: Chengya Oil Company recorded a decrease of RMB117,984,000 or 15.46% in the income for the year as compared with that of last year, mainly due to a year-on-year decrease of RMB271,109,000 in revenue from direct sales business as a result of the policy impact that no direct sales business of oil products was carried out in the year; and recorded an increase of RMB2,330,000 or 5.96% in profit for the year as compared with that of last year, mainly due to the increase in gross profit driven by the increase in retail sales volume of refined oil.

Note 19: Zhonglu Energy Company recorded an increase of RMB81,345,000 or 7.36% in the revenue for the year as compared with that of last year, and recorded an increase of RMB13,460,000 or 42.95% in the profit for the year as compared with that of last year, mainly due to the increase in revenue from retail sales and gross profit driven by the increase in retail sales volume of refined oil.

Note 20: Shudao Financial Leasing Company had not been included in the scope of the company's consolidated statements since November 2022.

Note 21: Shudao New Energy Company recorded an increase of RMB53,180,000 or 455.93% in the income for the year as compared with that of last year, mainly due to the increase in the charging service revenue and other revenue; and recorded an increase of RMB26,042,000 or 438.57% in the loss for the year as compared with that of last year, mainly due to a year-on-year increase in related labor costs and public expenses as a result of the company's comprehensive construction of charging stations in the year.

Note 22: Chengyu Private Equity Fund Management Company recorded a decrease of RMB312,000 or 95.71% in the revenue for the year as compared with that of last year, mainly due to the decrease in the Company's fund management fee income.

Note 23: CSI SCE recorded an increase of RMB12,417,000 or 463.49% in the profit for the year as compared with that of last year, mainly due to dividend income from the associate, Shudao Financial Leasing Company.

(ii) Operation conditions of the expressways segment of the Group

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

Item	Shareholding percentage (%)	Average daily traffic flow (vehicles) 2023	2022	Increase/ (decrease) (%)	Toll income (before revenue taxes) (RMB'000) 2023	2022	Increase/ (decrease) (%)
Chengyu Expressway	100	**20,358**	16,909	20.40	**820,109**	653,626	25.47
Chengya Expressway	100	**38,606**	35,951	7.39	**1,040,271**	891,416	16.70
Chengren Expressway	100	**35,221**	27,669	27.29	**929,764**	690,102	34.73
Chengle Expressway	100	**35,519**	25,493	39.33	**536,128**	427,392	25.44
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	**47,710**	45,111	5.76	**108,256**	106,331	1.81
Suiguang Expressway	100	**11,449**	9,705	17.97	**274,635**	217,922	26.02
Suixi Expressway	100	**9,106**	8,297	9.75	**167,509**	132,072	26.83
Second Ring (Western) Expressway	100	**/**	/	/	**865,166**	666,680	29.77

Note: Pursuant to the overseas regulatory announcement of the Company published on the website of the Stock Exchange and the announcement on the progress of the acquisition of 100% equity interest in Rongcheng Second Ring Company and the related party transaction of the Company published on the website of the SSE on 4 May 2023, during the Reporting Period, the Company has completed the transfer of equity interest and has formally included Rongcheng Second Ring Company in the scope of the consolidated statements of the Company. Upon consolidation, the statistics source for traffic flow of Second Ring (Western) Expressway changes and therefore there is no comparable data for its average daily traffic flow.

In 2023, the toll income (before deduction of turnover taxes) of the Group was approximately RMB4,741,838,000, representing an increase of approximately 25.26% as compared with last year. The percentage of the toll income (after deduction of turnover taxes) to the Group's revenue (after deduction of turnover taxes) was approximately 40.77%, representing an increase of approximately 4.63% when compared with 36.14% last year. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's business of expressways:

1. Economic factors

In 2023, the national economy rebounded and improved, high-quality development was solidly promoted, and the overall social situation was harmonious and stable. China's gross domestic product (GDP) for 2023 was RMB126,058.2 billion, representing a year-on-year increase of 5.2% at constant prices and the value added of transportation, warehousing and postal services amounted to RMB5,782 billion, representing an increase of 8.0%[1] as compared with last year. With the earnest implementation of the development strategy of "Four Modernizations, Urban-Rural Integration, Co-prosperity in Five Areas" put forward by the Provincial Party Committee, Sichuan Province focused on high-quality development, made concerted efforts to boost the economy and promote infrastructure construction, and vigorously facilitated the province's economic recovery and growth, bringing the overall economic scale to a new height. In 2023, Sichuan Province's regional GDP of exceeded RMB6 trillion, representing an increase of 6%[2] as compared to last year at comparable prices, ranking first among the top ten provinces with strong economy, alongside three others. In the face of a stable and improving economic environment, the Group's toll income (before deduction of turnover taxes) for the year increased by 25.26% year-on-year.

2. Policy factors

On 31 March 2023, the Ministry of Transport, the National Railway Administration, the Civil Aviation Administration of China, the State Post Bureau and China State Railway Group Co., Ltd. jointly issued the "Five-Year Action Plan for Accelerating the Construction of a World Leader in Transportation (2023–2027)" ,which puts forward the action objectives and tasks for accelerating the construction of a strong transport nation in the next five years, insisting on the implementation of the "Two Outlines" and the "14th Five-Year" series of transport plans on a continuous basis, and planning and promoting the work of transportation in the "15th Five-Year" plan period, so as to build a safe, convenient, efficient, green and economical modern comprehensive transportation system, and achieve effective improvement in quality and reasonable growth in quantity of transportation. The stated action objectives are that by 2027, the acceleration of the construction of a strong transport nation will achieve phased achievements, new breakthroughs will be made in the high-quality development of transportation, the "Four First-class" construction will achieve remarkable results, significant progress will be made in the construction of a modern comprehensive transportation system, and the construction of a "national 123 transportation circle" and a "global 123 fast movement of goods circle" will be accelerated, so as to effectively serve and guarantee the beginning of building a socialist modern country in an all-round way.

1 Source: the National Bureau of Statistics of China

2 Source: the Sichuan Provincial Bureau of Statistics

According to the Notice of the Ministry of Transport and the Ministry of Finance on Phased Reduction and Waiver of Tolls for Trucks on Toll Roads (Jiao Gong Lu Ming Dian [2022] No. 282) (《交通運輸部財政部關於做好階段性減免收費公路貨車通行費有關工作的通知》(交公路明電[2022]282號)) issued on 28 September 2022, the phased reduction and waiver of tolls for trucks on national toll roads would end at 24:00 on 31 December 2022, i.e., the normal toll collection for trucks on expressways would resume, effective from 0:00 a.m. on 1 January 2023.

According to the Notice on Printing and Implementing the Work Plan of the Green Channel Policy for Fresh Agricultural Products Exported by Four Ministries (Chuan Jiao Han [2023] No. 233) (《關於印發貫徹落實國家四部委鮮活農產品運輸「綠色通道」政策工作方案的通知》(川交函[2023]233號)) issued by the Department of Transportation of Sichuan Province, and the overall deployment of the Notice on Further Improving the Service Level of the Green Channel Policy for Fresh Agricultural Products Transportation (Jiao Ban Gong Lu [2022] No. 78) (《關於進一步提升鮮活農產品運輸「綠色通道」政策服務水平的通知》(交辦公路[2022]78號)) issued by the General Office of the Ministry of Transportation and other four ministries, since 1 June 2023, the national unified Catalogue of Fresh Agricultural Products (《鮮活農產品品種目錄》) will be strictly implemented, and the export inspection standards of vehicles in compliance with the "green channel" policy will be standardized. Refrigerated trucks that do not meet the inspection standards will not enjoy the "green channel" policy.

According to the Notice on Issuance of Financial and Taxation Policies for Further Supporting the Healthy Development of Micro-, Small and Medium-sized and Individual Business (Chuan Cai Jian [2022] No. 2) (《關於印發〈進一步支持中小微企業和個體工商戶健康發展的財稅政策〉的通知》(川財建[2022]2號)) jointly issued by the Department of Finance of Sichuan Province, the Department of Transportation of Sichuan Province, Sichuan Provincial Tax Service, State Taxation Administration and other 10 provincial departments, from 18 February 2022 to 31 December 2023, the ETC toll discount for trucks in Sichuan Province increased from 5% to 6%, i.e., trucks using ETC (Electronic Toll Collection) to pass through the Sichuan Expressway Network will enjoy 6% discount on tolls.

3. Factors in road network changes and road construction

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

Chengle Expressway: On 18 January 2023, the Jiajiang East Toll Station of Chengle Expressway was put into operation. On 22 February 2023, Pengshan Qinglong Bridge of Chengle Expressway was officially put into operation. On 11 May 2023, Leshan city transit double-track section of Chengle Expressway Expansion Project was put into operation. On 5 July 2023, the expansion of the interchange gradient section from Mianzhu north hub to Guliba was completed and put into operation, marking the end of the semi-closed expansion construction and the resumption of normal two-way traffic. On the same day, the closure of two ramp toll stations at the entrance and exit to Leshan north and Suji toll station was cancelled, restoring normal operations. All of the above factors were conducive to the recovery of traffic flow of Chengle Expressway, which would contribute to the increase in toll income.

Chengbei Exit Expressway: In March 2023, the traffic flow of Chengbei Exit Expressway decreased slightly due to the impact of the renovation of Chengmian Expressway and the closure of the overlay of the Qinglongchang Viaduct of the Chengbei Expressway for construction.

Chengya Expressway: From 23 May 2023 to 31 May 2023, the emergency repair of the slopes from Chengya to Chengdu section of Chengya Expressway occupied the emergency lane and temporarily occupied the third lane, which brought about certain diversion effect due to relatively long traffic control time. From 17 April 2023 to 30 April 2023, the ramp of Chengya Expressway Qinglongchang Hub Interchange in the direction of Ya'an to Leshan was closed for construction, prohibiting the passage of vehicles, resulting in a decrease in traffic flow.

Suiguang Expressway: On 20 March 2023, the river-sea intermodal transportation route from Guang'an Port under the management of Sichuan Port and Shipping Investment Group to Sihanoukville Port, Cambodia was formally put into operation, which would be beneficial to the increase of the traffic flow of Suiguang Expressway for cargo transit between Chengdu and Guang'an.

(iii) Major investment and financing projects of the Group

1. Chengle Expressway Expansion Construction Project

The proposal in respect of investment in the expansion construction of Chengle Expressway and relevant matters was considered and approved at the extraordinary general meeting of the Company held on 30 October 2017. According to the opinion on approval of the project from the Ministry of Transport, the total mileage of the project was 130 km, and the estimated total investment was approximately RMB22.16 billion. According to the Reply on Adjustment to the Approval of the Chengdu to Leshan Expressway Expansion Construction Project issued by the Sichuan Provincial Development and Reform Commission (Chuan Fa Gai Ji Chu [2022] No. 298) (《關於調整成都至樂山高速公路擴容建設項目核准事項的批覆》(川發改基礎[2022]298號)), the adjusted total mileage of the project was 136.1 km and the estimated total investment was RMB25.15 billion. After the completion of the project, it will help ease the traffic pressure on Chengle Expressway, and improve the overall traffic capacity and service level of Chengle Expressway. On 27 November 2019, the established tasks for the Chengle Expansion Construction Project Pilot Section (Meishan – Qinglong) were completed and the pilot section was opened to two-way traffic. On 18 December 2019, the new Qinglong Toll Station of Chengle Expressway officially opened to traffic. On 2 August 2021, in order to standardize the approval procedures of PPP projects' inclusion and reclassification in the database, Chengdu Transportation Bureau has entered into the Investment Agreement for the Expansion Construction Project of Chengdu-Leshan Expressway and the Public-Private-Partnership (PPP) Project Contract for the Expansion Construction Project of Chengdu-Leshan Expressway with Chengle Company. On 27 January 2022, Meishan to Leshan section totalling 81 kilometers achieved two-way eight-lanes traffic. On 11 May 2023, Leshan city transit double-track section of Chengle Expressway Expansion Project was put into operation. From the commencement date of construction to 31 December 2023, an accumulated investment of approximately RMB11.702 billion had been invested in the Chengle Expansion Project.

2. *Tianqiong Expressway BOT Project*

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

On 4 March 2020, Sichuan Chengqiongya Expressway Company Limited was incorporated in Qionglai of Sichuan Province as a project company to take charge of the investment, construction and operation of Tianqiong Expressway, with a registered capital of approximately RMB1,737 million, of which the Company contributed RMB1,424.34 million. From the commencement date of construction to 31 December 2023, an accumulated investment of approximately RMB5,523 million had been invested in the Tianqiong Expressway Project.

II. FINANCIAL REVIEW AND ANALYSIS

(I) Analysis of Operating Results and Financial Position

Summary of the Group's Operating Results

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Revenue	**11,580,867**	10,419,377
Including: Net expressway segment revenue	**4,721,287**	3,765,241
Net new energy technology segment revenue	**64,845**	11,665
Net transportation services segment revenue	**1,959,766**	1,972,737
Net transportation logistics segment revenue	**718,809**	322,397
Net construction services segment revenue	**4,116,160**	4,193,062
Net others segment revenue	**–**	154,275
Profit before tax	**1,569,308**	927,041
Profit attributable to owners of the Company	**1,190,814**	626,897
Earnings per share attributable to owners of the Company *(RMB)*	**0.389**	0.205

Summary of the Group's Financial Position

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000* (Restated)
Total assets	**57,640,787**	56,199,140
Total liabilities	**40,967,506**	34,588,353
Non-controlling interests	**999,963**	915,162
Equity attributable to owners of the Company	**15,673,318**	20,695,625
Equity per share attributable to owners of the Company *(RMB)*	**5.125**	6.768

(II) Analysis of Operating Results

Revenue

The Group's net revenue for the year amounted to RMB11,580,867,000 (2022 (restated): RMB10,419,377,000), representing a year-on-year increase of 11.15%, of which:

(1) The net expressway segment revenue was RMB4,721,287,000 (2022 (restated): RMB3,765,241,000), representing an increase of 25.39% as compared with that of last year. During this year, the toll revenue of each road section increased to varying degrees, which was mainly due to the rebound in traffic volume under the influence of factors such as social and economic recovery, increased demand for personnel travel, and the improvement of the Company's operating services, resulting in an increase in the toll revenue of Chengyu Expressway (before deduction of turnover taxes) increased by RMB166,483,000 or 25.47% as compared with that of last year; the toll revenue of Chengya Expressway (before deduction of turnover taxes) increased by RMB148,855,000 or 16.70% as compared with that of last year; the toll revenue of Chengren Expressway (before deduction of turnover taxes) increased by RMB239,662,000 or 34.73% as compared with that of last year; the toll revenue of Chengle Expressway (before deduction of turnover taxes) increased by RMB108,736,000 or 25.44% as compared with that of last year; the toll revenue of Chengbei Exit Expressway (before deduction of turnover taxes) increased by RMB1,925,000 or 1.81% as compared with that of last year; the toll revenues of Suiguang Expressways (before deduction of turnover taxes) increased by RMB56,713,000 or 26.02% as compared with that of last year; Suixi Expressways (before deduction of turnover taxes) increased by RMB35,437,000 or 26.83% as compared with that of last year; the toll revenue of the Second Ring (Western) Expressway (before deduction of turnover taxes) increased by RMB198,486,000 or 29.77% as compared with that of last year. Please refer to "Operation conditions of the expressways segment of the Group" in this report for details of the main factors affecting the toll income of the Group during the Reporting Period;

(2) The net new energy technology segment revenue was RMB64,845,000 (2022: RMB11,665,000), representing an increase in 455.89% as compared with that of last year, mainly due to the increase in charging service revenue and other revenue as the steady expansion of the Company's on- and off-road networks charging business;

(3) The net transportation service segment revenue was RMB1,959,766,000 (2022 (restated): RMB1,972,737,000), representing a decrease of 0.66% as compared with that of last year, which was mainly due to the decrease in the direct sales of oil products for the year;

(4) The net transportation logistics segment revenue was RMB718,809,000 (2022: RMB322,397,000), representing an increase of 122.96% as compared with that of last year, which was mainly due to the year-on-year increase in revenue as a result of the proactive implementation of North-to-South Grain Transportation Project of the Company this year;

(5) The net construction services segment revenue was RMB4,116,160,000 (2022 (restated): RMB4,193,062,000), representing a decrease of 1.83% as compared with that of last year, which was mainly due to the fact that: (1) the construction contract revenue in respect of service concession arrangements was RMB3,993,702,000 (2022 (restated): RMB4,083,039,000), representing a decrease of 2.19% as compared with that of last year, which was primarily the construction contract revenue from the project for expansion construction of Chengle Expressway and Tianqiong Expressway BOT Project recognized under the input method; (2) construction contract revenue in respect of construction works performed for third parties amounted to RMB122,739,000 (2022: RMB110,997,000), representing an increase of 10.58% as compared with that of last year, which was mainly due to construction services revenue from Long Bao Da PPP project in Lushan County and the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County recognized under the input method;

(6) The net others segment revenue decreased by RMB154,275,000 as compared with that of last year (2022: RMB154,275,000), mainly due to the decrease of RMB153,987,000, or 100%, in finance leases revenue (after deduction of turnover taxes) as compared with that of last year, resulting from the cease of inclusion of Shudao Financial Leasing Company into the scope of the Company's statements since November 2022.

Other Income and Gains

The Group's other income and gains for the year amounted to RMB252,866,000 (2022 (restated): RMB402,612,000), representing a decrease of RMB149,746,000, or 37.19%, as compared with that of last year, which was mainly due to the decrease of RMB161,442,000, or 56.85%, in interest income as compared with that of last year.

Operating Expenses

The Group's operating expenses for the year amounted to RMB9,372,739,000 (2022 (restated): RMB8,896,531,000), representing an increase of 5.35% as compared with that of last year, of which:

(1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB3,993,702,000 (2022 (restated): RMB4,083,039,000), representing a decrease of 2.19% as compared with that of last year. This mainly included construction costs recognized for Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project;

(2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB108,837,000 (2022: RMB98,189,000), representing an increase of 10.84% as compared with that of last year, which was mainly attributable to the Long Bao Da PPP Project in Lushan County and the Tourism Highway Project in Dachuan River Scenic Spot in Lushan County recognized under the input method;

(3) Depreciation and amortization expenses increased by 7.61% from RMB1,222,706,000 for the last year (restated) to RMB1,315,709,000 for the year, mainly attributable to the increase in amortization for concession as a result of the increase in traffic volume during the year;

(4) The cost of sales of oil and other business was RMB2,366,398,000 (2022: RMB2,010,025,000), representing an increase of 17.73% as compared with that of last year, which was mainly due to the increase in cost of North-to-South Grain Transportation, oil retail sales business and other sales as a result of the Company's positive market expansion;

(5) The costs of finance lease recorded a year-on-year decrease of RMB80,441,000 (2022: RMB80,441,000), representing a decrease of 100% as compared with that of last year, which was mainly due to the fact that Shudao Financial Leasing Company was no longer included in the scope of the Company's consolidated statements since November 2022;

(6) Repair and maintenance costs increased by 70.62% from RMB190,643,000 for the last year (restated) to RMB325,275,000, which was mainly due to the implementation of relevant special tasks, including special work on the governance of safety hazards and special improvement work of the facilities of expressways during the year, resulting in the increase in specialized maintenance costs of the facilities of all expressways of the Group;

(7) Impairment included in other receivables for the year recorded a year-on-year decrease of RMB37,303,000 (2022: RMB37,303,000), representing a decrease of 100% as compared with that of last year, which was mainly due to the absence of impairment loss during the year;

(8) Charging services costs included were RMB17,538,000 for the year, which was mainly due to the increase of electricity costs as a result of the further deployment of new energy vehicle charging network during the year.

(9) Foreign exchange losses for the year decreased by 81.29% from RMB9,567,000 for that of last year to RMB1,790,000, which was mainly due to the fact that Shudao Financial Leasing Company was no longer included in the scope of the Company's consolidated statements since November 2022, resulting in a decrease in foreign exchange loss.

Finance Costs

The Group's finance costs for the year amounted to RMB1,384,136,000 (including: expensed interest expenses of RMB937,869,000), representing a decrease of 3.92% as compared with RMB1,440,577,000 (including: expensed interest expenses of RMB1,030,568,000) for the last year (restated). The decrease in finance costs for the year was mainly due to the fact that no loan guarantee fee occurred for the year, repayment of part of principal of borrowing and the decrease in the weighted average interest rate of financing.

Income Tax

The income tax expense of the Group for the year amounted to RMB302,540,000, representing an increase of approximately 22.05% as compared with RMB247,880,000 for that of 2022 (restated), which was mainly due to the change in profit.

Profit

The Group's profit for the year amounted to RMB1,266,768,000, representing an increase of 86.52% as compared with RMB679,161,000 for that of last year (restated), of which the profit attributable to owners of the Company was RMB1,190,814,000, representing an increase of 89.95% as compared with RMB626,897,000 for that of last year (restated). This was mainly due to:

(1) The profit of the expressways segment for the year was approximately RMB1,742,689,000 (2022 (restated): RMB885,125,000), representing an increase of 96.89% as compared with that of last year, which was mainly due to the rebound in traffic volume as a result of the impact of factors such as recovery of the social economy, significant increased demand for personnel travel and enhancement of the Company's operation and services, leading to the increase of RMB956,046,000 in toll revenue as compared with that of last year;

(2) The profit of the new energy technology segment for the year was approximately RMB3,046,000 (2022: RMB975,000), representing an increase of 212.41% as compared with that of last year, which was mainly due to the increase in charging service revenue and other revenue;

(3) The profit of the transportation services segment for the year was approximately RMB198,650,000 (2022 (restated): RMB145,956,000), representing an increase of 36.10% as compared with that of last year, which was mainly due to the increase in gross profit driven by the increase in retail sales volume of refined oil;

(4) The profit of the transportation logistics segment for the year was approximately RMB52,502,000 (2022: RMB20,252,000), representing an increase of 159.24% as compared with that of last year, which was mainly due to the increase in profit resulting from the Company's proactive efforts to mitigate the previous business risks, reversal of credit impairment losses and the proactive expansion of North-to-South Grain Transportation and other projects this year;

(5) The profit of the construction services segment for the year was approximately RMB4,666,000 (2022 (restated): RMB72,022,000), representing a decrease of 93.52% as compared with that of last year, which was mainly due to the decrease in interest income arising from construction contract of BT project;

(6) The profit of the others segment for the year was approximately RMB34,316,000 (2022: RMB87,994,000), representing a decrease of 61.00% as compared with that of last year, which was mainly due to the fact that Shudao Financial Leasing Company was no longer included in the scope of the Company's consolidated statements since November 2022.

(III) Analysis of Financial Position

Non-current Assets

As at 31 December 2023, the Group's non-current assets amounted to RMB54,521,932,000, representing an increase of RMB3,563,679,000 as compared with the end of 2022 (restated), mainly attributable to:

(1) An increase of RMB3,312,812,000 in service concession arrangements as compared with the end of 2022 (restated) which included an increase of approximately RMB4,439,969,000 mainly from Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project, and the provision for amortization of service concession arrangements of approximately RMB1,127,157,000;

(2) A decrease of RMB39,367,000 in right-of-use assets as compared with the end of 2022, which was mainly due to the provision for depreciation of approximately RMB61,081,000 and addition of right-of-use assets of approximately RMB26,144,000 for the year;

(3) Property, plant and equipment increased by RMB151,779,000 as compared with the end of 2022 (restated), which was mainly due to the addition of property, plant and equipment of approximately RMB292,695,000 and provision for depreciation of approximately RMB127,471,000 arising from acquisitions and the conversion of construction in progress into fixed assets during the year;

(4) A decrease of RMB100,212,000 in investment in associates and joint ventures as compared with the end of 2022 mainly due to (1) the decrease of approximately RMB40,283,000 in the total carrying value resulting from the receipt of dividends of RMB9,032,000, RMB1,893,000, RMB9,479,000, RMB2,952,000 and RMB435,000 respectively from Chengyu Development Fund, Sichuan Renshou Rural Commercial Bank Co., Ltd., Airport Expressway Company, Zhongxin Company and Chengdu Communications Investment Supply Chain Management International Co., Ltd., and the cash dividend of RMB16,492,000 declared by Shudao Financial Leasing Company during the year; (2) the increase in carrying value with the total investment income of RMB46,183,000 recognised this year; (3) the decrease in carrying value following the recovery of investment amount of RMB100,000,000 from Chengyu Development Fund; (4) the decrease of RMB4,450,000 in carrying value as a result of the liquidation of Technology Transfer Center Co., Ltd. of Sichuan University in June 2023; (5) the decrease of RMB1,662,000 in carrying value due to the fact that Zhongxin Company, which was held by Shudao Chengyu Investment Company, the subsidiary of the Company, implemented the capital increase and share expansion in December 2023 and Shudao Chengyu Investment Company forfeited the opportunity of the capital increase, resulting in the dilution of the proportion of Shudao Chengyu Investment Company's equity interest in Zhongxin Company from 40% at the beginning of the year to 5%, but still retaining the right to appoint one director to the board of Zhongxin Company, which was accounted as an associate;

(5) A decrease of RMB5,464,000 in equity investments designated at fair value through other comprehensive income as compared with the end of 2022, which was mainly due to the changes in fair value of equity investments in China Everbright Bank Co., Ltd. and Sichuan Zhineng Transportation System Management Company Limited* (四川智能交通系統管理有限公司);

(6) An increase of approximately RMB1,539,212,000 in non-current portion of trade receivables and other receivables as compared with the end of 2022, which was mainly due to trade and other receivables amounting to RMB1,539,212,000 were reclassified to non-current assets in accordance with the newly agreed revised repayment schedules;

(7) An increase of RMB904,561,000 in payments in advance as compared with the end of 2022, which was mainly due to the increase in prepayments to ensure the continuous construction of the Chengle Expressway Expansion Construction Project.

Current Assets and Current Liabilities

As at 31 December 2023, the current assets of the Group amounted to RMB3,118,855,000 representing a decrease of 40.49% as compared with the end of 2022 (restated), mainly attributable to:

(1) A decrease of RMB605,146,000 in the balance of cash and cash equivalents as compared with the end of 2022 (restated), which was mainly due to the increase in the scale of liabilities in the current year as a result of the acquisition of Rongcheng Second Ring Company, whereby the Company proactively carried out cost reduction and efficiency improvement, and made full use of its own funds to improve the efficiency of the use of its own funds and control the scale of financing;

(2) Current portion of trade receivables and other receivables decreased by RMB1,520,354,000 as compared to the end of 2022 (restated), which was mainly due to the decrease of RMB1,506,330,000 in trade receivables (including bill receivables) and RMB64,595,000 in other receivables and the increase of RMB50,571,000 in prepayments;

(3) An increase of RMB89,745,000 in inventories as compared with the end of 2022, which was mainly due to the increase in purchases of sand and gravel, agricultural products, spare parts and construction materials for the year;

As at 31 December 2023, the Group's current liabilities amounted to RMB6,317,752,000, representing an increase of 33.81% as compared with the end of 2022 (restated), which was mainly attributable to an increase of RMB721,679,000 in trade and other payables, an increase of RMB10,433,000 in contract liabilities; a decrease of RMB53,746,000 in tax payable; an increase of RMB1,021,683,000 in current portion of bank and other interest-bearing borrowings for the year; and a decrease of RMB103,877,000 in amounts due to the ultimate holding company, which was mainly due to the repayment of guarantee fee of the syndicated loan of Shudao Investment of RMB103,725,000 during the year.

Non-current Liabilities

As at 31 December 2023, the non-current liabilities of the Group amounted to RMB34,649,754,000, representing an increase of 16.01% as compared with the end of 2022 (restated), which was mainly attributable to the decrease of RMB23,300,000 in deferred income; the increase of RMB926,000 in deferred tax liabilities; an increase of RMB4,805,355,000 in non-current portion of bank and other interest-bearing borrowings as compared with that of the end of last year (restated).

Equity

As at 31 December 2023, the Group's equity amounted to RMB16,673,281,000 representing a decrease of 22.85% as compared with the end of 2022 (restated), which was mainly attributable to: (1) profit of RMB1,266,768,000 for the year, which increased the equity; (2) a decrease in equity of RMB4,369,000 due to the adjustment to the fair value of financial assets as a result of presenting changes in other comprehensive income; (3) a decrease of RMB5,903,000,000 in equity due to business combination under common control; (4) capital injection from minority shareholders amounting to RMB79,200,000, which increased the equity; (5) declaration of dividends of RMB70,299,000 to non-controlling shareholders, which decreased the equity; (6) the final dividend of 2022 paid in the year amounting to RMB305,806,000, which decreased the equity.

Capital Structure

As at 31 December 2023, the Group had total assets of RMB57,640,787,000 and total liabilities of RMB40,967,506,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 71.07% (31 December 2022 (restated): 61.55%).

Cash Flow

As at 31 December 2023, the cash and cash equivalents of the Group amounted to RMB1,982,830,000, representing a decrease of approximately RMB605,146,000 as compared with the end of 2022 (restated). It comprised approximately HK$116,000 (equivalent to approximately RMB105,000) of deposits in Hong Kong dollars, and RMB1,982,725,000 cash and deposit in Renminbi.

During the year, net cash outflows from operating activities of the Group amounted to RMB1,275,827,000 (2022 (restated): net cash outflow of RMB1,502,441,000), representing a decrease of RMB226,614,000 in net cash outflows as compared with that of last year, which was mainly because: profit before tax increased by RMB642,267,000 as compared with that of last year; the new service concession arrangements resulted in a decrease of RMB89,337,000 in cash outflows for the year as compared with that of last year; the decrease in loans to customers resulted in a decrease of RMB235,483,000 in cash inflows for the year as compared with that of last year; the increase in restricted deposits resulted in an increase of RMB2,270,000 in cash outflows for the year as compared with that of last year; the increase in non-current payments in advances resulted in an increase of RMB984,557,000 in net cash outflows for the year as compared with the last year; the decrease in deferred income resulted in a decrease of RMB15,139,000 in cash outflow for the year as compared with that of last year; the increase in trade receivables and other receivables resulted in a decrease of RMB32,989,000 in net cash outflows for the year as compared with that of last year; the increase in inventories resulted in an increase of RMB122,738,000 in the cash outflows for the year as compared with that of last year; the increase in contract liabilities resulted in an increase of RMB1,297,000 in the net cash inflows for the year as compared with that of last year; the increase in trade payables and other payables resulted in an increase of RMB848,535,000 in cash inflows for the year as compared with that of last year; the decrease in amounts due to the ultimate holding company resulted in an increase of RMB152,000 in cash outflows for the year as compared with that of last year.

Net cash inflow used in investing activities of the Group amounted to RMB2,480,098,000 (2022 (restated): net inflow of RMB367,951,000), representing an increase of RMB2,112,147,000 in net cash inflows as compared with that of last year, which was mainly because: the increase of RMB43,077,000 in cash outflow for the purchase of property, plant and equipment as compared with that of last year; the decrease of RMB369,195,000 in cash inflow from the recovery of equity investments at fair value through other comprehensive income as compared with that of last year; cash inflow for the year increased by RMB100,000,000 resulting from the recovery of investment in joint ventures as compared to that of last year; cash inflow for the year increased by RMB2,200,000,000 resulting from the repayment of loans received from the ultimate holding company as compared to that of last year; cash inflow for the year increased by RMB50,000,000 resulting from the repayment of loans received from related parties as compared to that of last year; cash inflow for the year decreased by RMB5,668,000 resulting from the receipt of asset-related grants as compared to that of last year; cash inflows from the disposal of subsidiaries decreased by RMB98,411,000 as compared with that of last year; the decrease of RMB28,938,000 in cash outflow from the investments in financial assets at fair value through profit or loss as compared with that of last year; the increase in time deposits resulted in a decrease of RMB112,573,000 in cash outflows for the year compared with that of last year.

Net cash outflow used in financing activities was RMB1,880,636,000 (2022 (restated): net outflow of RMB363,171,000), representing an increase in net cash outflow of RMB1,517,465,000 as compared with that of last year, which was mainly due to an increase of RMB6,073,884,000 in cash inflow from new bank loans, super short-term commercial papers and other loans as compared with that of last year; an increase of RMB1,559,327,000 in cash outflow from repayment of bank loans, super short-term commercial papers and other loans and payment of lease principal as compared with that of last year; a decrease of RMB28,798,000 in cash outflow from dividend paid to the owners of the Company compared with that of last year; an increase of RMB11,248,000 in cash outflow from dividend paid to non-controlling shareholders as compared with that of last year; an increase of RMB85,847,000 in cash outflow from interest paid compared with that of last year; an increase of RMB43,000,000 in cash inflow received from investment from non-controlling shareholders as compared with that of last year.

Exchange Fluctuations Risks

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

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

Borrowings and Solvency

As at 31 December 2023, the Group's bank and other interest-bearing borrowings amounted to RMB37,780,677,000, all of which bore fixed interest rates. The balance of bank loans was RMB33,276,863,000, with annual interest rates ranging from 2.15% to 3.85%; the balance of other borrowings amounted to RMB3,091,016,000; the balance of lease liabilities amounted to RMB122,798,000; the balance of medium-term notes amounted to RMB1,290,000,000, with a coupon interest rate of 3.49% to 6.30% per annum. The relevant balances are set out as follows:

Interest-Bearing Bank and other Loans

	Total *RMB'000*	**Within 1 year** *RMB'000*	**1 year to 5 years** *RMB'000*	**Over 5 years** *RMB'000*
Bank loans	33,276,863	2,306,899	8,134,511	22,835,453
Other borrowings and lease liabilities	3,213,814	790,761	2,401,438	21,615
Medium-term notes	1,290,000	290,000	1,000,000	–
Total (as at 31 December 2023)	37,780,677	3,387,660	11,535,949	22,857,068
Total (as at 31 December 2022) (restated)	31,953,639	2,365,977	9,933,135	19,654,527

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB46,065 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. In 2019, China CITIC Bank Corporation Limited (Chengdu Branch) transferred the entire loan balance under the Syndicated Contract to China Construction Bank Corporation (Sichuan Branch), and China Construction Bank Corporation (Sichuan Branch) became the leader in 2020. As at 31 December 2023, the balance of the syndicated loan for the project amounted to RMB1,282 million.

In 2013, China Development Bank (Sichuan Branch) as leader and other four banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,950 million. Such loan is specially used for construction of Suiguang Expressway BOT Project. As at 31 December 2023, the balance of the syndicated loan for the project amounted to RMB3,940 million; in 2013, China Development Bank (Sichuan Branch) as leader and other two banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB3,380 million. Such loan was specially used in Suixi Expressways BOT Project. As at 31 December 2023, the balance of the syndicated loan for the project amounted to RMB2,470 million.

In 2019, China Construction Bank Corporation (Sichuan Branch) and China Development Bank (Sichuan Branch) as leader and other five banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB10,400 million. Such loan is specially used for construction of Chengle Expressway Expansion Construction Project. As at 31 December 2023, the balance of the syndicated loan for the project amounted to RMB5,394 million; in 2021, China Construction Bank Corporation (Sichuan Branch) and China Development Bank (Sichuan Branch) as leader and other three banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB6,920 million. As at 31 December 2023, the balance of the syndicated loan for the project amounted to RMB1,325 million. The above two loans are specially used for construction of Chengle Expressway Expansion Construction Project.

In 2020, China Construction Bank Corporation (Sichuan Branch) and China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other five banks carrying on businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB6,948 million. Such loan is specially used for construction of Tianqiong Expressway BOT Project. As at 31 December 2023, the balance of the syndicated loan for the project amounted to RMB4,054 million.

In 2020, China Development Bank (Sichuan Branch) as leader formed a bank consortium with other six banks carrying out businesses in the PRC, which signed a loan contract with the Company for a medium- and long-term loan of RMB9,809 million. Such loan is specially used for the financing rearrangement for the Second Ring (Western) Expressway loan. As at 31 December 2023, the balance of the syndicated loan for the project amounted to RMB9,092 million.

Pledge of Assets

As at 31 December 2023, the concession right of the Group to collect toll pertaining to Chengle Expressway with net carrying value of RMB12,155,168,000 (31 December 2022 (restated): RMB10,549,429,000) was pledged to secure the syndicated loan amounting to RMB6,719,230,000 (31 December 2022: RMB4,825,230,000); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB5,903,036,000 (31 December 2022: RMB6,102,008,000) was pledged to secure the syndicated loan amounting to RMB1,281,655,000 (31 December 2022: RMB1,555,004,000); the concession right to collect toll pertaining to Suiguang-Suixi Expressways with net carrying value of RMB11,095,731,000 (31 December 2022: RMB11,099,484,000) was pledged to secure the syndicated loan amounting to RMB6,410,000,000 (31 December 2022: RMB6,810,000,000); the concession right to collect toll pertaining to Tianqiong Expressway with net carrying value of RMB5,522,506,000 (31 December 2022: RMB3,012,674,000) was pledged to secure the bank loans amounting to RMB4,053,828,000 (31 December 2022: RMB1,970,226,000); the concession right to collect toll pertaining to the Second Ring (Western) Expressway with net carrying value of RMB13,165,127,000 (31 December 2022 (restated): RMB13,398,517,000) was pledged to secure the bank loans amounting to RMB9,091,500,000 (31 December 2022 (restated): RMB9,104,000,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2023.

III. BUSINESS DEVELOPMENT PLAN

Based on analysis and review of our work and operations during the Reporting Period, and taking into account our forecast and judgement of future economic situation, policy environment and developments of the industry and our business in the 2024, we have formulated the following work plan with a focus on the basic development ideas of "14th Five-Year" Plan and business objectives for the year of 2024:

(I) Focusing on value increment to fully expand the advantages of the main businesses.

Focusing on the Company's "14th Five-Year Plan", adhering to the general tone of "seeking progress while maintaining stability and transforming and innovating", focusing on the main responsibilities and main businesses, continuously establishing a solid foundation for the development of the core business of expressways, and constantly expanding the development space of green energy cultivation. The Company will actively explore high-quality road products, make every effort to obtain and acquire projects, and concentrate on expanding the scale of the main business of expressways; focus on the core of "charging, battery bank + battery replacement, hydrogen energy", and simultaneously focus on the front, middle and back ends of the industrial chain, and make efforts to build a green energy industry cluster. The Company will strengthen construction management, research and promote intelligent construction equipment, and ensure the high-quality progress of construction projects. The Company will thoroughly implement digital transformation, improve the rate of intelligent toll stations, and promote the continuous improvement of toll momentum through efficient operation and maintenance.

(II) Integrating market-oriented strategies to effectively enhance project returns.

The Company will actively integrate into the market, grasp industry trends, clarify its main direction, fully leverage platforms, and increase project returns. Firstly, the Company will expand its intermodal transportation platform, focusing on developing the Chengdu-Chongqing Electric Corridor mainline logistics, and building logistics warehouses to seek new growth points for project returns. Secondly, the Company will strengthen its equity investment platform, fully utilize its capital operation leverage function, and focus on investing in green energy and artificial intelligence in the transportation industry to seek effective profit growth supplements. Thirdly, the Company will transform into a technology transformation platform, based on construction of electric charging and swapping stations, construction of electromechanical facilities, and development of assets along the line, and transform into a technology incubation and results transformation platform, striving for increased profits.

(III) Strengthening capital operation to continuously support market value management.

The Company will strengthen market value management as its core, increase the intensity of capital operation, actively boost market value performance, and promote the value of the Company's core business; effectively use equity financing tools to balance stock and flow, and optimize the Company's capital structure; value investor relationship management, broaden effective communication channels with investors, ensure effective transmission of corporate value, enhance the Company's window image, and promote market recognition and value realization.

(IV) Reducing costs and expenses to promote business improvement.

The Company will strengthen financial management, implement comprehensive budgeting, control costs and expenses, and improve business quality and efficiency. The Company will strengthen the supervision of key projects to ensure that the key indicators of major plans are economically reasonable and closely control construction costs; balance the allocation of short- and long-term debt, continue to reduce the interest rates of existing loans, and comprehensively reduce financing costs; implement a scientific determination mechanism and reasonably reduce maintenance costs.

(V) Strictly controlling safety risks and strengthening operational guarantees.

The Company will vigorously implement safety production management, resolutely safeguard the bottom line, implement the responsibility system for safety guarantees and information feedback mechanisms, promote the use of technology to improve safety production management and information, and ensure the stable development of the Company. The Company will strictly adhere to the bottom line of risk management and control, improve compliance and internal control mechanisms, strengthen full-process supervision, comprehensively build a defensive position, and ensure steady and long-term development.

You Zhiming
Executive Director, Vice Chairman and General Manager, Acting Chairman

Chengdu, Sichuan Province, the PRC
27 March 2024

I. CORPORATE GOVERNANCE

Since establishment, the Company has set up a corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the management, and has conducted on-going review and improvement of such structure in practice. Until now, the Company has successively established committees under the Board, including the Audit Committee, the Strategic Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Company has also adopted an independent internal audit system, established a relatively comprehensive risk management and internal control system and formulated multi-tier governance rules based on the Articles of Association, aiming at clearly defining the duties, limits of authorities and codes of conducts for all parties. In accordance with laws, regulations and the governance rules, the general meeting, the Board, the Supervisory Committee and the management of the Company discharge their own duties, coordinate with each other, effectively counter-balance each other, and continuously enhance corporate governance standards, thereby laying a solid foundation for driving the Company's development and maximizing value for the Shareholders.

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Corporate Governance Code of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. During the Reporting Period and up to the date of this annual report, the Company has adopted and complied with the Listing Rules on the Stock Exchange and the code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules on the Stock Exchange except for the deviations as shown below.

As disclosed in the announcement of the Company dated 20 October 2023, following the resignation from the positions of Mr. Gan Yongyi as the chairman of the Company, an executive Director, the committee chairman of the Strategic Committee under the Board, and a member of the Nomination Committee under the Board and the authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules on the Stock Exchange, the Company failed to meet the requirements of Rule 3.05 of the Listing Rules on the Stock Exchange that the authorised representative of a listed issuer is required to be either two directors or a director and a company secretary. Upon the appointment of Mr. Li Wenhu as the aforesaid authorised representative becoming effective on 26 October 2023, the Company has re-complied with the requirements of Rule 3.05 of the Listing Rules on the Stock Exchange as at 31 December 2023.

(I) Amendments to and improvements in corporate governance system

During the Reporting Period, the Company has adjusted and further supplemented and improved the corresponding corporate governance rules according to the amendments to laws, regulations and normative documents of relevant competent authorities. On 17 February 2023, as approved by the Board, the Company formulated the Interim Measures for Risk Management. On 27 June 2023, as approved by the extraordinary general meeting of the Company, the Company amended and improved the Articles of Association. On 29 August 2023, as approved by the Board, the Company formulated the Interim Measures for Institutional Management, the Production Safety Management System, the Measures for the Management of Eco-Environmental Protection Work (Trial) and the Measures for Occupational Health Management. On 28 December 2023, as approved by the Board, the Company amended and improved the Articles of Association, the Working Rules for Independent Directors, the Rules of Meeting Procedure for the Board Meetings, the Procedures for the Election of Directors, Detailed Implementation Rules for the Strategic Committee under the Board, Detailed Implementation Rules for the Remuneration and Appraisal Committee under the Board, Detailed Implementation Rules for the Nomination Committee under the Board and the Detailed Implementation Rules for the Audit Committee under the Board, among which, the Articles of Association, the Working Rules for Independent Directors and the Rules of Meeting Procedure for the Board Meetings were approved at the extraordinary general meeting and came into force on 1 February 2024.

(II) The purpose, strategy and culture of the Company

The Board has formulated the Group's mission, values, and strategies that are consistent with the Group's culture. The Group adhered to the new development concept and integrates into the new development pattern, focusing on the Chengdu-Chongqing Economic Circle strategy and the "dual carbon" policy requirements. The Group is committed to consolidating the traditional core business of investing, constructing, operating, and managing highways and expanding the economic development along the route. At the same time, the Group is cultivating and developing a green energy industry centered around "charging, battery bank, ten-swapping, and hydrogen energy". The Group has been adhering to its the five core development strategies of resource integration, asset operation, investment and acquisition, market value management upgrades, and technology empowerment; this is to continuously promoting industrial transformation and upgrades, achieving leap-forward development, high-quality development, and sustainable development, enhancing the comprehensive strength of the enterprise, and committed to becoming a "first-class comprehensive service provider in transportation industry in China". The Group operated with integrity and leads by example. The Board promoted the expected culture, instilled and strengthened the values of acting in a lawful, ethical, and responsible manner throughout the Group. Firstly, the Group has been building an enterprise culture system, refining enterprise cultural concepts, strengthening the combination of cultural systems, and establishing an enterprise cultural construction evaluation mechanism. Secondly, the Group has been implementing an enterprise brand strategy, continuously expanding its own brand influence, and strengthening the internal promotion and implementation of enterprise culture. Thirdly, the Group adhered to the concept of "one road, one culture, one station, one feature" ideology to create a distinct road culture.

(III) The responsibility statement of the Board on risk management and internal control

It is the responsibility of the Board to establish, perfect, and effectively implement risk management and internal control system, to assess and determine the risk nature and degree it would accept when the Group's strategic objectives are achieved. The Board is responsible for continuously supervising the Company's risk management and internal control system, including overseeing the management to design, implement and monitor the risk management and internal control system, and the annual review of the effectiveness of important monitoring procedures concerning finance, operation, compliance, ESG and etc.; the board of Supervisors conducts supervision on the Board's establishment and implementation of risk management and internal control; the management is responsible for organizing and implementing the day-to-day operations of the Company's risk management and internal control, and providing the Board with validation on the risk management and internal control system. It is also the Board's responsibility to ensure that the Company's resources and qualifications and experience of staff in respect of the Company's accounting, internal audit, ESG and financial reporting functions and the sufficiency of training sessions for staff and relevant budgets. Instead of to eliminate, the Company's risk management and internal control system is designed to monitor and manage the risk factors that affect the Company's business objectives, and make reasonable but not absolute guarantee on no significant misrepresentations or losses.

(IV) Sound establishment of risk management and internal control system of the Company

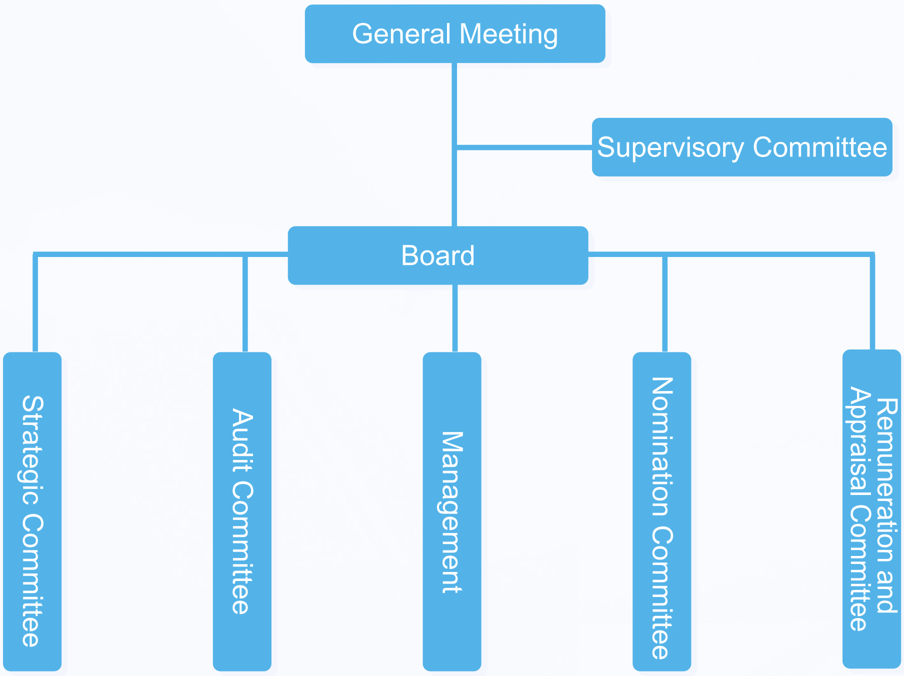
After years of operation and development, the Company has established a relatively comprehensive risk management and internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its risk management and internal control system needs to be continuously optimized and enhanced. Meanwhile, in order to implement the "Basic Rules for Internal Control of Companies" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office and the NFRA and the Implementary Guideline for Enterprise Internal Control, and in light of the "Guidelines on Internal Control for Listed Companies" by the SSE and the Code, the Company has launched the construction of the corporate internal control system in an all-around way since the second half of 2010 and promptly completed the preparation and test of the Internal Control Manual as well as self-assessment and audit of internal control for the years from 2011 to 2023. In 2023, the Company solidly advanced internal control to ensure that the overall operation of the Company's internal control system was good. The Company formulated the "Compliance Handbook for Employees" and the "Compliance Internal Control Handbook" in accordance with the requirements of "Compliance Management Measures for Central Enterprise", "Sichuan Provincial Enterprise Compliance Management Guidelines (Trial)" and other relevant documents, as well as its actual situation. On the basis of proper supervision, self-inspection and review, the Company further strengthened its supervision and evaluation work as well as internal control system to consolidate the foundation of the system serving the business development of the Company.

Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2023, the Board considers that, 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, and there were no significant defects during the Reporting Period. Shinewing Certified Public Accountants (Special General Partnership) has audited the effectiveness of the relevant internal control for financial reporting of the Company and issued auditors' reports with standard unqualified opinions.

In the future, the Company will continue to press ahead with the implementation of its risk management and internal control system, and optimize the risk management and internal control system based on its existing system, and practically establish and implement a corporate risk management and internal control system with definite division between powers and obligations, scientific management and high efficiency.

II. LEGAL PERSON GOVERNANCE STRUCTURE OF THE COMPANY

The current governance structure of the Company is shown in the diagram below:



(I) Shareholders and General Meetings

The Company treats all the Shareholders on an equal footing by ensuring that all Shareholders, especially minority and medium Shareholders, are entitled to enjoy equal status and fully exercise their respective rights, and are entitled to the right to access to and make decisions on material matters of the Company and strictly prohibits any act detrimental to the interests of the Company and the Shareholders. Notice of, authorization from and consideration at general meetings are all in compliance with relevant procedures.

1. Substantial Shareholders

The substantial Shareholders of the Company include Shudao Group and China Merchants Expressway Company. The substantial Shareholders had acted properly and never exploited their special position to intervene, in ultra vires over the general meetings, the decision-making or the operation of the Company or advance extra interests.

The Company has separate personnel, assets, finance, organization and business from the substantial Shareholders. In respect of personnel, there is no interlocking which violates the laws and regulations and the Company has the rights of free appointment and removal in terms of labor and personnel; in respect of assets, the Company is strictly separated from its controlling Shareholder, possesses full ownership over its operating assets and operates with full independence; in respect of finance, the Company has an independent financial department and independent financial accounts and is able to autonomously make its financial decisions while the application of funds is free from any interference from the controlling Shareholders; in respect of organization, there is no question of "one team operating in two companies", mixed operation or work in the same premise, and the office and business premise are separated; in respect of business, the Company has a different scope of business from those of its controlling Shareholder and owns entire business independence and independent operation capability.

2. Policy on distribution of dividends

The Company, whilst maintaining sound and sustainable development, attaches great importance to reasonable investment return to its shareholders and adopts a consistent and stable profit distribution policy. The Company mainly determines the policy on distribution of dividends through the Articles of Association.

(1) Intervals of profit distribution

The Company shall distribute its distributable profits on an annual basis provided that its cash flows are sufficient to satisfy its normal capital needs and sustainable development; and an interim profit distribution may be carried out as the Company deems necessary according to its profits and capital requirements.

(2) Forms of profit distribution

The Company may distribute its profit in cash, shares, a combination of both cash and shares or otherwise permitted by laws and regulations. Cash dividend is prior to share dividend in profit distribution. Where the conditions of cash dividend are met, profit distribution shall be carried out in form of cash dividend.

(3) Conditions for distributing profit in shares

Where the Company's share capital size and equity structure are rational and its share capital increases in line with its results growth, the Company may distribute its dividends in shares.

(4) Conditions and percentages for distributing profit in cash

If the Company's distributable profit for the period is positive and its cash flows are sufficient to meet normal capital requirements, such as project investment, project renovation or expansion, repair and maintenance of road assets, acquisition of assets or purchase of equipment, and support its sustainable development, the Company shall distribute dividends in cash, and the sum of any such cash dividend shall not be less than 30% of the distributable profit earned by the parent company for the period concerned (the lower of the profit attributable to shareholders under the PRC and overseas accounting standards respectively); and the Company shall take into account the following factors comprehensively including industry features, development stage, operation mode, profits level and if there are substantial arrangements for capital expenditures etc., and, in accordance with the stipulated procedures under the Articles of Association, formulate differential cash dividend policy in the following situations: ① when there is no substantial arrangements for capital expenditure of the Company during a mature development stage of the Company, cash dividend shall amount to at least 80% of the relevant profits distribution; ② when there is substantial arrangements for capital expenditure of the Company during a mature development stage of the Company, cash dividend shall amount to at least 40% of the relevant profits distribution; ③ when there is substantial arrangements for capital expenditure of the Company during a growth stage of the Company, cash dividend shall amount to at least 20% of the relevant profits distribution; Unless otherwise provided by laws and administrative regulations, the sum of an interim dividend shall not exceed 50% of the distributable profit as shown in the Company's interim income statement.

(5) Requirement on the time for completion of profit distribution

The Company shall distribute profit to its shareholders according to their respective shareholdings within six (6) months after the end of each financial year.

After a resolution on the profit distribution plan is adopted at the general meeting of the Company, the Board shall complete the distribution of the dividends (or shares) within two (2) months after the general meeting.

3. General Meetings and Rights of Shareholders

As the highest authority of the Company, the general meeting exercises its power in determining material matters of the Company pursuant to the laws. Shareholders requisitioning extraordinary general meetings of Shareholders or class meetings shall abide by the following procedures: Shareholders individually or collectively holding 10% or more of the Shares of the Company shall sign one or more counterpart requisitions requiring the Board to convene a Shareholders' extraordinary general meeting or a class meeting, and clarify the topic of the meeting. The Board shall furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days after receiving such requisition; in the event that the Board agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after the passing of the relevant resolution of the Board; in the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten (10) days after receiving such proposal, Shareholders individually or collectively holding 10% or more of the Company's Shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting; in the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after receiving such request; failure of the Supervisory Committee to issue the notice of the general meeting shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and Shareholders individually or collectively holding 10% or more of the Company's Shares for ninety (90) consecutive days or more may convene and preside over the meeting by themselves.

The annual general meetings or other extraordinary general meetings in each year provide a channel of direct communication between the Board and Shareholders. The Company encourages all Shareholders to attend general meetings and issues the meeting notice within at least 20 business days prior to the convening of the annual general meetings and at least 10 or 15 business days (whichever is longer) prior to the convening of the extraordinary general meetings, and takes appropriate ways of disclosure and expression based on the regulatory regulations of different stock exchanges and reading habits of different investors to provide Shareholders with information or data that is helpful to decision-making. The Company discloses the details of procedures for Shareholders to attend in person or by proxy, contact information for enquiries by Shareholders, and etc., in the notices of general meetings. In accordance with the provisions under the Articles of Association, Shareholders individually or collectively holding more than 3% of the Company's Shares can make a temporary motion and submit it in writing to the convener ten (10) days before the date of Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting announcing the contents of the temporary motion within two (2) days upon receipt of the motion. At the general meetings, all Shareholders also have opportunities to make enquiries to the Directors about issues concerning the operation and results of the Group. All Directors and senior management of the Company are required to attend the meetings as much as possible to answer Shareholders' enquiries and discuss directly with Shareholders about the Company's business and prospect.

In 2023, the Company convened four general meetings. The convening of and matters approved at the meetings are summarized as follows:

No.	Meeting	Date of Meeting	Name of Resolutions		Status
1	The first extraordinary general meeting in 2023	10 January 2023	1.	Resolution in relation to the Signing of the Construction Project Connected Transaction Framework Agreement between the Company and Shudao Investment	The resolution was duly considered and approved
2	The second extraordinary general meeting in 2023	30 March 2023	1.	Resolution in relation to the acquisition of 100% equity interest in Rongcheng Second Ring Company	The resolution was duly considered and approved

No.	Meeting	Date of Meeting	Name of Resolutions	Status
3	2022 annual general meeting	25 May 2023	1. Resolution in relation to profit distribution and dividend distribution plan of the Company for the year 2022	All the resolutions were duly considered and approved
			2. Resolution in relation to the work report of the Board for the year 2022	
			3. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2022	
			4. Resolution in relation to the duty performance report implementation of independent Directors for the year 2022	
			5. Resolution in relation to the financial budget report for the year 2022	
			6. Resolution in relation to the 2022 domestic and overseas annual reports and their summaries	
			7. Resolution in relation to the financial budget for the year of 2023	
			8. Resolution in relation to the reappointment of Shinewing Certified Public Accountants (Special General Partnership) as the PRC auditor of the Company for the year 2023	
			9. Resolution in relation to the reappointment of Ernst & Young Certified Public Accountants as the overseas auditor of the Company for the year 2023	
			10. Resolution in relation to the liability insurance for Directors, Supervisors and Senior Management of the Company	
4	The third extraordinary general meeting in 2023	27 June 2023	1. Resolution in relation to the amendments to the Articles of Association	The resolution was duly considered and approved

In addition to the said communication with the Board by means of general meetings, Shareholders can also submit their enquiries and questions in writing to the Board through the secretary to the Board at any time. The contact details of Mr. Yao Jiancheng, the Joint Company Secretary in Hong Kong and secretary to the Board in the PRC, are as follows:

Tel:	(86) 28–8552 7504
Fax:	(86) 28–8553 0753
E-mail:	db@cygs.com
Contact address:	No. 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal code:	610041

(II) Board and Directors

Board

1. *Responsibilities and division of work*

The Board acts on behalf of the interests of Shareholders as a whole and is accountable to the general meetings. Its main duties are to exercise rights of decision-making and management in accordance with laws and regulations and the authorization of general meetings in terms of the Company's development strategies, management framework, financing and investment plans, financial control and human resources, etc., and to exercise supervision and inspection on the development and operating activities of the Company. The Board has established 4 committees and assigned certain specific powers to each committee to assist the Board in effective performance of duties. The composition, responsibilities and functions of each committee are set out in the section headed "Committees under of the Board" in this chapter. Unless otherwise stipulated in the terms of reference of relevant committees, the Board reserves the right to make final decisions.

The management is accountable to the Board. Its major responsibilities are to implement the resolutions of the Board, manage the Company's day-to-day operations, organize the implementation of the Company's annual business plan and investment plan, and make relevant decisions in accordance with laws and regulations and the authorization of the Board. When the Board delegates powers in respect of management and administrative functions to the management, it has given clear guidance on the powers of the management. In exercise of duties, the management should not exceed the permitted scope of its duties.

2. *Composition*

As at 31 December 2023, the Board currently has 10 Directors(Note). It was the eighth session of the Board since the establishment of the Company. The term of office of the Directors shall be three (3) years commencing from 18 November 2022 or from the date on which the Directors were elected or until the end of the eighth session of office of the Board. As at the date of this report, the composition of the Board is set out in Section VIII "Profile of Directors, Supervisors, Senior Management and Employees" in this annual report.

The eighth session of the Board has 4 independent non-executive Directors, representing more than one-third of the total directorship. Independent non-executive Directors are experienced professionals in various industries including underground engineering, bridge engineering, economy and accounting. With a responsible attitude and extensive professional knowledge and experience, the independent non-executive Directors have in good faith performed their independent duties of honesty and diligence in participating in discussion and decision-making on material matters of the Company, reviewing the connected transactions, capital transaction and external guarantee of the Company as well as giving their independent opinions or recommendations, whereby the overall interests of the Company and the lawful interests of the Shareholders as a whole have been effectively safeguarded. Independent non-executive Directors have played an important role in the Board.

Composition of the Board satisfied the demand of the Company's business for the Board members concerning their skills and experience together with perspectives and diversified angles. Change of the Board members will not bring in unsuited interference. Executive Directors and non-executive Directors (including independent non-executive Directors) of the Board constitute a balance structure with strong independency is capable of making independent judgment. Non-executive Directors possess sufficient caliber and number to put forward influential opinions and thus effectively safeguarding the interest of the Company as a whole and of all its Shareholders.

Note: According to the Articles of Association, the Board shall compromise 12 Directors, and as at 31 December 2023, there were vacancies for two Directors. The Company will identify suitable candidates to fill the corresponding vacancies as soon as practicable.

During the Year and as at 27 March 2024, the Board comprises:

Executive Directors:
Mr. Gan Yongyi (resigned on 20 October 2023)
Mr. Li Wenhu (resigned on 8 March 2024)
Madam Ma Yonghan
Mr. You Zhiming
Madam Xue Min (resigned on 8 August 2023)

Non-executive Directors:
Mr. Wu Xinhua
Mr. Li Chengyong
Mr. Chen Chaoxiong

Independent Non-executive Directors:
Mr. Yu Haizong
Mr. Yan Qixiang (resigned on 1 February 2024)
Madam Bu Danlu
Mr. Zhang Qinghua
Mr. Zhou Hua (appointed on 1 February 2024)

3. *Meetings of the Board*

During the Year, the Board convened a total of nine Board meetings in view of the needs of the operation and business development of the Company. Board meetings and resolutions are published on the websites of the Stock Exchange, the SSE and the Company for review by Shareholders and investors.

The Board holds regular meetings on a quarterly basis and extraordinary meetings if necessary. The notice of regular Board meeting shall be sent to all Directors at least 14 days before the meeting, the notice of other extraordinary Board meetings shall be sent to all Directors at least 10 days before the meeting. The chairman, more than one third of Directors, more than one half of independent non-executive Directors, the Supervisory Committee, the general manager or Shareholders representing more than one tenth of voting rights have rights to propose the convening of an extraordinary Board meeting in accordance with the Rules of Procedures of the Board.

The management of the Company is responsible for providing of relevant statistics and information required for the Board's consideration of various resolutions and arranging for senior executives to report their work at Board meetings. The Board and its special committees are entitled to appoint independent professional institutions for services according to the needs of corporate businesses, and the reasonable expenses incurred there from shall be borne by the Company.

When a Board meeting considers any transaction, Directors shall declare their interests involved, and shall abstain from voting at the meeting as required. The Company has stated in the Articles of Association that, if a Director has a conflict of interest in any material matter, the connected Director must abstain from voting at the Board meeting.

Directors

1. *Appointment*

Directors are elected at general meetings. Shareholders, the Board or the Supervisory Committee are eligible to nominate candidates for Directors in writing. Directors serve for a term of office of 3 years and, upon expiry of the term, their appointment is subject to further consideration at general meetings and they may offer themselves for re-election. Independent non-executive Directors shall be the persons not connected with the management and substantial Shareholders of the Company. There are no relationships (including financial, business, family or other material/relevant relationships) among the Directors.

2. *Information support and professional development*

As always, the Company has been committed to improving its internal information support system and communication mechanism so as to secure effective functioning of the Board. Through the Secretary to the Board, all Directors during their term of office are able to keep abreast of relevant information and the latest movements in laws, regulations, regulatory ordinances and other continuing obligations that directors of listed companies shall comply with, on a timely basis. Through various means such as statistics provision, work reports, site visits, professional trainings and special conference, and etc., all Directors are enabled to keep informed of the business development, competition and regulatory environment of the Company on a timely basis, thus ensuring the Directors understand their duties. This facilitates correct and effective decisions by the Directors and ensures procedures of the Board and the applicable laws and regulations are duly observed.

In 2023, the participation of Directors in continuing professional development activities is as follows:

	Type of Activity	
Name of Director	**Reading materials in respect of traffic and transportation, anti-bribery, corporate governance, capital operation and financial accounting**	**Participation in centralized trainings and attendance in forums, seminars and meetings on regulatory work**
You Zhiming	✔	✔
Wu Xinhua	✔	✔
Ma Yonghan	✔	✔
Li Chengyong	✔	✔
Chen Chaoxiong	✔	✔
Yu Haizong	✔	✔
Bu Danlu	✔	✔
Zhang Qinghua	✔	✔
Gan Yongyi	✔	✔
Li Wenhu	✔	✔
Xue Min	✔	✔
Yan Qixiang	✔	✔

3. *Performance of duties for the Year*

During the Reporting Period, the members of the Board were jointly responsible for the management and operation of the Company's businesses. Each Director actively cared for the Company's businesses and cautiously and diligently executed their respective responsibilities on the basis of fully understanding the Company's businesses and in good faith in the best interests of the Company.

In 2023, the attendance of the Board meetings and general meetings by the Directors is as follows:

	Attendance of Board Meetings					Attendance of General Meetings
Name of Director	Required attendance in Board meetings during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Attendance in person/required attendance	Number of attendance/ meetings
You Zhiming	9	9	0	0	9/9	4/4
Wu Xinhua	9	9	4	0	9/9	4/4
Ma Yonghan	9	9	0	0	9/9	4/4
Li Chengyong	9	9	0	0	9/9	4/4
Chen Chaoxiong	9	9	0	0	9/9	4/4
Yu Haizong	9	9	0	0	9/9	4/4
Bu Danlu	9	9	0	0	9/9	4/4
Zhang Qinghua	9	9	0	0	9/9	4/4
Gan Yongyi (resigned)	6	6	0	0	6/6	4/4
Li Wenhu (resigned)	9	9	0	0	9/9	4/4
Xue Min (resigned)	5	5	5	0	5/5	4/4
Yan Qixiang (resigned)	9	9	0	0	9/9	4/4

Number of Board meetings held during the Year	9
Of which: Number of physical meetings	0
Number of meetings held via communications	0
Number of meetings held by way of combination of both	9

During the Reporting Period, all Directors of the Company have attended the Board meetings with due care and diligence, and offered professional suggestions and independent judgments in respect of the material issues being discussed at the meetings by virtue of their expertise and experience.

Apart from attendance of Board meetings with due diligence and performance of their duties with honesty, the independent non-executive Directors of the Company also held meetings with external auditors to discuss annual auditing issues in accordance with relevant requirements and guidance and provided independent opinions and recommendations to the Board in respect of material issues and connected transactions of the Group, and etc. During 2023, independent non-executive Directors, by means such as joining the Board and special committees, reviewed and provided independent opinions on material issues of the Company such as investment decisions, connected transactions, profit distribution and internal control, whereby the overall interest of the Company and the lawful interest of the Shareholders as a whole had been safeguarded and the healthy development of the Company had been promoted. The Board, through reviewing the implementation of the above mechanisms, believes that they can effectively ensure that the Board obtains independent views and opinions.

During the Year, the independent non-executive Directors had neither raised any objections to the resolutions of the Board nor made any proposals to convene a Board meeting.

4. *Remunerations of Directors and Supervisors*

Until now, remunerations of the Directors, Supervisors (excluding the employee's representative Supervisor(s)) and senior management of the Company are determined in accordance with relevant PRC policies or regulations, the Company's actual situation, and meanwhile taking his/her job responsibilities, risk assumed and contribution into consideration. The Board (considering the opinions of the Remuneration and Appraisal Committee) and the Supervisory Committee may make suggestions on the remunerations schemes for Directors and Supervisors (excluding the employee's representative Supervisor(s)) which shall be considered and approved at the general meeting; while the remunerations schemes for senior management shall be considered and approved by the Board (considering the opinions of the Remuneration and Appraisal Committee). The incentive (if any), individual awards (if any) and allowances for the aforesaid staff on his/her term of office should be determined by the Board as authorized by the general meeting, after giving consideration to the opinions of the Remuneration and Appraisal Committee. Information on the remunerations of Directors and Supervisors of the Company for 2023 is set out in Note 8 to the financial statements of this annual report.

5. *Independence of Directors*

The Company has appointed a sufficient number of independent non-executive Directors. The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with the requirements of Rule 3.13 of the Listing Rules on the Stock Exchange. The Company believes that the incumbent independent non-executive Directors have all complied with such rule and the relevant regulations on the SSE and are still regarded as independent.

6. *Securities transactions by Directors*

During the Year, the Company has adopted a code of conduct regarding securities transactions by the Directors on terms not less exacting than the required standards set out in the Model Code, and has strictly complied with the relevant requirements of the Listing Rules. Having made specific enquiries to all Directors, it was confirmed that the Directors of the Company have complied with the Model Code in relation to securities transactions by the Directors and its standards on code of conduct and there had not been any non-compliance with the relevant requirements on the Model Code and the Listing Rules.

7. *Director's liability insurance*

Purchase of liability insurance for Directors will, on one hand, enable the Company to establish an effective prevention mechanism against the vocational risks associated with the management staff, encourage their innovation, attract more excellent management talents and optimize the corporate governance structure of the Company; and on the other hand, it will enhance the anti-risk ability of the Company and contribute to the protection of the lawful interests of minority and medium Shareholders. During the Year, the Company has purchased liability insurance for Directors, Supervisors and senior management members of the Company in relation to their performance of duties.

8. *Responsibility statement on financial statements by the Directors*

The Directors confirm that they have the responsibility to prepare the financial statements that can give a true and complete view of the Group's financial position. The Board is of the opinion that as the Company's resources are sufficient for its operation in future, the financial statements have been prepared based on the going concern, and that in preparation of such financial statements, applicable accounting policies were adopted.

9. Chairman and General Manager

From 1 January 2023 to 20 October 2023, Mr. Gan Yongyi serves as the chairman of the Company. On 20 October 2023, Mr. Gan Yongyi resigned from the positions as the chairman, an executive Director, the committee chairman of the Strategic Committee under the Board, and a member of the Nomination Committee under the Board and the authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules on the Stock Exchange due to reaching the retirement age. In view of the fact that the election of the new chairman of the Board is subject to the appropriate statutory procedures, more than half of the Directors of the Company jointly elected other senior management of the Company to act as chairman until the date of election of the new chairman. The chairman of the Board shall exercise the following powers: (1) to preside over general meetings and to convene and preside over meetings of the Board; (2) to check on the implementation of resolutions of the Board; (3) to sign the securities certificates issued by the Company; (4) to exercise other powers conferred by the Board.

During the Year, Mr. Li Wenhu serves as the general manager of the Company. The general manager shall be accountable to the Board and exercise the following powers: (1) to be in charge of the Company's operation and management and to organise the implementation of the resolutions of the Board; (2) to organise the implementation of the Company's annual business plan and investment plan; (3) to propose plans for the establishment of the Company's internal management structure; (4) to propose the Company's basic management system; (5) to formulate basic rules and regulations for the Company; (6) to propose to the Board the appointment or dismissal of the Company's deputy general manager(s) and the financial controller; (7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board; (8) to determine rewards and punishments, promotion and demotion, increase and decrease of salaries, recruitment, appointment, termination of employment and dismissal of the staff and workers of the Company; (9) to, as authorised by the Board, represent the Company in important external business transactions; and (10) to exercise other powers conferred by these Articles of Association and the Board.

(III) Committees under the Board

In order to help the Board to discharge its duties and promote effective operation, four committees have been set up under the Board. These committees review and monitor matters in specific areas of the Company within their designated terms of reference, and make corresponding recommendations to the Board. The detailed implementing rules for each committee has been approved by the Board and published on the websites of the Stock Exchange, the SSE and the Company for inspection by the Shareholders and the investors.

Members of the committees shall be elected and appointed by the Board in accordance with the provisions under the detailed implementation rules for their respective committees and with the same term of office as the Board. Members of the committees may, if re-elected upon expiration of their terms of office, serve consecutive terms.

During the Year, the composition and duty performance of the members of the committees under the eighth session of the Board of the Company during the period from 1 January 2023 to 31 December 2023 are set out as follows:

Name of Director	Role of Director	Audit Committee		Strategic Committee		Nomination Committee		Remuneration and Appraisal Committee	
		Member ("✓") Chairman ("*")	Number of attendance/ meeting	Member ("✓") Chairman ("*")	Number of attendance/ meeting	Member ("✓") Chairman ("*")	Number of attendance/ meeting	Member ("✓") Chairman ("*")	Number of attendance/ meeting
Gan Yongyi	Executive Director			*	1/1	✓	1/1		
Chen Chaoxiong	Non-executive Director							✓	1/1
Yu Haizong	Independent non-executive Director			✓	1/1	*	1/1		
Yan Qixiang	Independent non-executive Director	✓	6/6			✓	1/1		
Bu Danlu	Independent non-executive Director	*	6/6					✓	1/1
Zhang Qinghua	Independent non-executive Director	✓	6/6	✓	1/1			*	1/1

1. *Audit Committee*

The Company set up the Audit Committee in November 2004. The major terms of reference of the Audit Committee are as follows: to review the Company's financial information and its disclosure; to perform corporate governance functions, and supervise the Company's internal control, financial reporting system and risk management procedures; to make recommendations on the appointment and dismissal of external accountants, review and monitor the external accountant's independence and objectivity and the effectiveness of the audit process; and to work with the Board to formulate policies concerning the Company's engagement of accountants and supervise the implementation of such policies.

In respect of the performance of corporate governance functions by the Audit Committee, the Board has authorized the committee to perform the following functions: to formulate and review the Company's corporate governance policies and practices and make recommendations to the Board in respect thereof; to review and monitor the Company's compliance with the regulatory systems under the laws and regulations (including but not limited to the Listing Rules) and regulatory authorities (including but not limited to the Stock Exchange and the SSE); to formulate, review and monitor the code on conduct and compliance manual (if any) for the Company's staff and Directors; and to review the Company's compliance with the Corporate Governance Code (as amended time from time) set out in the Appendix C1 to the Listing Rules on the Stock Exchange and the disclosure of such compliance in the Corporate Governance Report in its periodical reports as required under the Listing Rules.

The committee hereby presents its work report during 2023 as follows:

Written Report of the Audit Committee

The Audit Committee convened 6 meetings in 2023 and 3 meetings from 1 January 2024 to the date of this report. Meetings of the Audit Committee were presided over by the chairman of the Audit Committee. All members of the committee attended the meetings in person. The external auditors and the Supervisors, the secretary to the Board and the financial controller of the Company were also invited to attend the meetings except for the second meeting of the Audit Committee under the eighth session of the Board, which was only attended by members of the Audit Committee and the external auditors. The major work completed by the Audit Committee during the said period is as follows:

– *Reviewing regular financial reports*

The Audit Committee is responsible for examining and supervising the integrity of the Company's financial statements, accounts and periodical reports, and reviewing significant financial reporting judgments contained in such statements and annual reports. In accordance with relevant procedures, the management is responsible for preparation of the Group's financial reports including adoption of appropriate accounting policies, the external auditors are responsible for auditing and verifying the Group's financial reports and evaluating the Group's internal control system, while the Audit Committee supervises the work of both the management and the external auditors and confirms the procedures and safeguard measures adopted by the management and external auditors. In reviewing these statements and reports before submission to the Board, the Audit Committee should focus particularly on any changes in accounting policies and practices, matters involving significant judgment, significant adjustments resulting from audit and the going concern assumptions, any qualified opinion and whether it is in compliance with relevant accounting standards and requirements concerning financial reporting under the Listing Rules and laws. The specific work includes:

(1) Reviewing the 2022 annual financial statements and unaudited financial statements for the first half year of 2023 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2023 (according to the PRC GAAP), and making approval suggestions to the Board.

(2) Before the annual audit of 2023, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2023 financial report of the Company and the report on annual audit plan from external auditors, and communicated on the audit scope, method, focus and specific scheduling for the Year.

(3) After completing audit and issuing preliminary audit opinions by external auditors, the Audit Committee convened the 2024 first meeting to discuss and communicate with the external auditors of the Company on relevant issues of the financial and accounting statements of the Company and the preliminary audit opinions of the auditors.

(4) During the audit process for the Year, the Audit Committee maintained continuous communications with external auditors, who submitted this Year's audit report on time after prior and complete communications and prompt supervision during the audit.

(5) The Audit Committee convened the 2024 second meeting to consider the 2023 annual audit report of the Company and considered that the Group's 2023 annual financial statements can truly and correctly reflect the operation results of the Group for the year 2023, and the financial position as at 31 December 2023. It recommended the Board to make approval.

– *Risk management, internal control and corporate governance reviewing*

The Audit Committee is responsible for assisting the Board in reviewing the adequacy and effectiveness of the Group's risk management and internal control. During the Year, the Audit Committee inspected financial control, internal audit, risk management and the progress of internal control construction. No impropriety in respect of financial reporting, internal audit, risk management, internal control or other aspects that might occur has been brought to the attention of the Audit Committee by any employees of the Company. The Audit Committee earnestly reviewed the Group's financial and accounting policies and practices, the Internal Control Manual in areas such as the corporate-level control and business-level control, focused on the examination of the implementation of rectification for the general defects found in the 2022 Self-Assessment Report of Corporate Internal Control, and reviewed the effectiveness of the Group's internal control (including finance, operation, compliance control and risk management functions), and the resources and qualifications and experience of staff in respect of the Company's accounting and financial reporting functions and the sufficiency of training sessions for staff and relevant budgets. On this basis, the Audit Committee reviewed the 2023 Self-Assessment Report of Corporate Internal Control of the Company and was of the opinion that the report gave a comprehensive and objective view of the establishment and operation of the internal control system of the Company, and that the Company has established a relatively complete internal control system and is continuously optimizing and improving the system, which plays favorable supervision and guiding functions for the standard operation of the Company.

During the Year, the Audit Committee also performed the corporate governance functions delegated by the Board, reviewed the compliance with the regulator rules under the Code on Corporate Governance Practices and the Corporate Governance Code, and laws and regulations, and reviewed the information disclosed in the Corporate Governance Report of the Company.

— *Work evaluation on auditors*

(1) The Audit Committee appraised the audit work and performance capacity of the Company's PRC auditor, Shinewing Certified Public Accountants (Special General Partnership) in 2023 from the following aspects:

a. Professional competence

Shinewing Certified Public Accountants (Special General Partnership) holds the practising certificate as an accounting firm and has the qualification in auditing business and other businesses, and all the members therein are China Certified Public Accountants with a wealth of financial auditing experiences.

During the Reporting Period, Shinewing Certified Public Accountants (Special General Partnership) had a smooth communication with the management and the Audit Committee, maintained a higher standard in giving professional opinions, and in audit quality and efficiency of financial information disclosure, as such, it possessed stronger professional capacity.

b. Investor protection capacity

Shinewing Certified Public Accountants (Special General Partnership) has purchased occupational insurance that complies with relevant regulations and covers civil liability for compensation in accordance with the law for providing audit services. The sum of cumulative compensation limit of purchased occupational insurance and occupational risk fund has exceeded RMB200 million, and the provision for the occupational risk fund or the purchase of the occupational insurance are in compliance with relevant regulations. In the past three years (2021 to 2023), Shinewing Certified Public Accountants (Special General Partnership) has not been required to bear any civil liabilities due to civil litigation related to its practice other than the case of Disputes over the Liability for Misrepresentation of Securities against Leshi Internet.

c. Independence and integrity of the project members

In the past three years (2021 to 2023), Shinewing Certified Public Accountants (Special General Partnership) was subject to no criminal punishment, 1 administrative punishment, 12 regulatory measures, 2 self-regulatory measure and no disciplinary decisions for its business practice, 35 practitioners were subject to 0 criminal punishment, 3 administrative punishment, 12 regulatory measures, 3 self-regulatory measure and 1 disciplinary decision for its business practice.

There is no circumstance in breaching the independence requirement under China Code of Ethics for Certified Public Accountants (《中國註冊會計師職業道德守則》) by Shinewing Certified Public Accountants (Special General Partnership) and its project partners, signing certified public accountants, project quality control reviewers and other practitioners. In the past three years (2021 to 2023), no project partner, signing certified public accountant, or project quality control reviewer has been subject to criminal penalties, and administrative penalties or supervisory measures imposed by the SFC and its agencies or industry authorities, or self-regulatory measures or disciplinary actions imposed by securities exchanges, industry associations, or other self-regulatory organizations.

The Audit Committee considered that Shinewing Certified Public Accountants (Special General Partnership) appointed by the Company as the PRC auditor of the Company for the year 2023 had good performance in terms of professional competence, investor protection capacity, independence and integrity, etc.

(2) The Audit Committee considered that Ernst & Young Certified Public Accountants appointed by the Company as the international auditor for the year 2023 had good performance in terms of independence and objectivity, professional technical level, auditing quality and efficiency of financial information disclosure, communication results with the management and the Audit Committee, etc.

Bu Danlu, Zhang Qinghua, Zhou Hua
Members of the Audit Committee

27 March 2024

2. Strategic Committee

The Company established the Strategic Committee in March 2012. The major responsibilities of the Strategic Committee include the planning of the long-term development strategies of the Company, conducting research and submitting proposals regarding material investment and financing plans that are subject to the approval of the Board in accordance with the Articles of Association of the Company, material capital operations, assets operation projects, and other material matters that may affect the Company's development, and carrying out examination on the implementation of the above matters, etc.

During the year, the Strategic Committee carefully reviewed the relevant matters of the Company's acquisition of 100% equity interest in Rongcheng Second Ring Company. The Strategic Committee unanimously considered that the acquisition is in line with the development strategy of the Company "14th Five-Year Plan", conducive to enhancing the Company's sustainable development capability and road network scale, further optimizing the Company's asset structure and focusing on the main businesses. The committee agreed to submit a resolution on the acquisition of 100% equity interest in Rongcheng Second Ring Company by the Company for consideration by the Board.

3. Nomination Committee

The Company established the Nomination Committee in March 2012. The major terms of reference of the Nomination Committee were specified to include: to formulate and review the diversified policy for members of the Board and carry out discussions and amendments to the policy concerned where it is needed and to disclose the reviewing conclusion in the Corporate Governance Report of the Company on a yearly basis; to give suggestions to the Board on the structure, composition and change of members of the Board according to the Company's actual situation; to study the selection criteria and procedures for Directors and managers, and give suggestions to the Board; to seek qualified candidates for Directors and managers in a broad scope, and nominate relevant candidates for Directors and management staff after selection, or to give opinions to the Board in this regard; to examine the candidates for Directors, managers and other senior management staff, and give suggestions to the Board; to assess the independence of independent non-executive Directors; to give suggestions to the Board on the appointment or re-appointment of Directors and the succession plan for Directors (especially the chairman of the Board and the general manager), etc.

The Board diversity policy of the Company is that the Nomination Committee takes into consideration various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge, when determining the Board composition. On top of the above factors, qualities such as the candidate's comprehensive value to the business and development of the Company, his/her potential contribution to the Board and requirements on Board diversity will be taken into account when making the final decision.

During the Year, the Nomination Committee discussed and reviewed the Implementation Rules of the Nomination Committee under the Board; the Nomination Committee also reviewed the structure, size and composition of the Board (including knowledge, skills and experience of its members). Upon discussion, members of the Board have been diversified in terms of age, cultural and educational background, professional experience, skills and knowledge.

As at 31 December 2023, the Company has two female Directors and the Board will endeavour to maintain enough female representation on the Board. In addition, the proportion of male and female employees among all employees (including senior management) of the Group is 49.98% and 50.02%, respectively, with 75.3% and 24.7% of senior management being male and female respectively. Therefore, the Board considers that the Group's employees, including senior management, to be sufficiently gender-diverse.

4. *Remuneration and Appraisal Committee*

The Company established the Remuneration and Appraisal Committee in March 2012. The Remuneration and Appraisal Committee has adopted the operation mode of performing the advisory role for the Board and the committee is responsible for reviewing the matters regarding remuneration, formulating remuneration policies and putting forward suggestions to the Board on the remuneration policies, formulating assessment standards for the Directors and senior management of the Company and conducted assessment, and reviewing and monitoring the training and continuing professional development of Directors and senior management members.

During the Year, the Remuneration and Appraisal Committee carefully reviewed the service contracts proposed to be entered into in relation to the election of Directors to the Board, and submitted the remuneration suggestions to the Board by reference to market level and in combination of the actual situations of the Company and the candidates, which were approved by the Board. The Remuneration and Appraisal Committee also supervised and reviewed the implementation of the Company's remuneration system. It also conducted assessment and evaluation on the operation performance and sustainable professional development of the executive Directors and the management of the Company for 2023.

III. SUPERVISORY MECHANISM

(I) Supervisory Committee

As at 31 December 2023, the Supervisory Committee comprises 6 Supervisors, and is the eighth session of the Supervisory Committee since establishment of the Company. The term of office of Supervisors commenced from 18 November 2022 or the date of election of the Supervisors. Composition of the Supervisory Committee is set out in Section VIII "Profile of Directors, Supervisors, Senior Management and Employees" of this annual report.

The Supervisory Committee exercises the independent power to supervise the Company pursuant to the laws to protect Shareholders, the Company and employees from violation of their lawful interests.

The size and composition of the Supervisory Committee are in compliance with the requirements of the laws and regulations. During the Year, the Supervisory Committee convened 6 meetings in total. All Supervisors attended each committee meeting, all of whom supervised, on behalf of the Shareholders, the Company's financial affairs as well as the legality and compliance of the duties performed by Directors and senior management. During the Reporting Period, all members of the Supervisory Committee, except those with important business engagement, attended the meetings of the Board and general meetings as observers, and honestly performed the duties of the Supervisory Committee. The working details of the Supervisory Committee are set out in Section IX "Report of the Supervisory Committee" in this annual report.

(II) Risk Management and Internal Control

A comprehensive and practicable risk management and internal control system is a foundation for good corporate governance. The Board is responsible for the establishment and improvement of risk management and internal control system of the Company for the purposes of reviewing the relevant control procedures of finance, operation and regulation so as to protect the Shareholders' interest and the Company's assets. The Board approves the management to promote the internal control system and review its effectiveness through the Audit Committee. To more effectively review the operation and management of the Group and the effectiveness of its internal control system, the Company has set up the Internal Control and Audit Supervisory Department to introduce an independent internal audit system, and carry out analysis and independent assessment on the integrity and effectiveness of the Group's risk management and internal control system. During their work, the internal audit staff has the right to access the relevant information of the Company and inquire the relevant personnel. Manager of the Internal Control and Audit Supervisory Department reports the work results to the Audit Committee, and after review, the Audit Committee gives suggestions to the management of the Company, and follows up the implementation of the rectification plan. The Board has obtained the management's validation on the adequacy and effectiveness of the Company's risk management and internal control system during the Year.

In order to implement the "Basic Rules for Internal Control of Enterprises" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the Implementary Guideline for Enterprise Internal Control, and in light of the "Guidelines on Internal Control for Companies Listed on the SSE" by the SSE and the Code, the Company has launched the construction of corporate internal control system in an all-around way since the second half of 2010, further specifying the tasks and targets for the establishment and improvement of the internal control system, self-assessment and auditing. During the Reporting Period, all the main tasks progressed as scheduled, and the Company's internal control system was further strengthened. For details, please refer to "Sound Establishment of Risk Management and Internal Control System of the Company" in this section.

Through identifying, analyzing and responding the risk items (including ESG risks) in the business process of the Company, it ensures its steady and healthy development. In order to quickly identify risks and respond promptly, the management continues to focus on and monitor the operation of risk management and internal control system, and reports the quarterly monitoring results to the Board at least once a quarter. At the same time, in order to refine the management principles and requirements of inside information and its insiders and further improve the Company' s risk management system, the Company has formulated the "Insider Management System" since March 2010 and made the first amendment in March 2012. During the Reporting period, the Company has not taken any significant risks (including ESG risks) and has no significant monitoring errors or significant monitoring weak spots.

(III) Auditors

The financial statements included in the 2023 Annual Report of the Company were prepared in accordance with the PRC Accounting Standards for Business Enterprises and the Hong Kong Financial Reporting Standards, respectively, and have been audited by the PRC auditor, Shinewing Certified Public Accountants (Special General Partnership) and the international auditor, Ernst & Young Certified Public Accountants respectively. The statements by the auditors on their reporting and auditing responsibilities for the financial statements are set out in the independent auditors' report contained in this annual report.

The fees paid to the PRC and international auditors this Year are as follows:

	2023		2022	
Items(Note)	**Shinewing Certified Public Accountants (Special General Partnership)**	**Ernst & Young Certified Public Accountants**	Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
Fees for audit/review of financial statements *(RMB'000)*	**1,350**	**2,210**	1,300	2,060
Audit fee of internal control *(RMB'000)*	**300**	**–**	300	–

Note: Other than the above fees, no other fees were paid by the Company during the Year.

The Company appoints its auditors at general meetings and the auditors appointed by the Company shall hold office until conclusion of the next annual general meeting. To dismiss any auditor during its term of office shall be subject to the consideration and approval at general meetings. During the Year, the Audit Committee has discussed and assessed the professional qualification of Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants (Special General Partnership) and the annual audit for 2023 performed by them, and raised opinions and recommendations in respect thereof.

(IV) Company Secretary

Mr. Yao Jiancheng and Mr. Wong Wai Chiu are Joint Company Secretaries of the Company in Hong Kong. Mr. Yao Jiancheng is also the secretary of the Board in the PRC.

During the Reporting Period, Mr. Yao Jiancheng and Mr. Wong Wai Chiu have received more than 15 hours of relevant professional training respectively.

(V) Information Disclosure and Investor Relations

Information disclosure

To disclose information in a true, accurate, timely and complete manner is not only the responsibility and obligation of listed companies, but also a channel of communication and understanding between a company and its investors and the public. On the principle of being open, just and fair, during the Reporting Period, the Company complied with the requirements under relevant laws and the Listing Rules on the SSE and the Stock Exchange and fulfilled its statutory disclosure obligations in an honest manner, so as to ensure that all Shareholders enjoy an equal and sufficient access to information, and improve the transparency of the Company.

During the Reporting Period, the Company released 4 periodic reports and 94 announcements concerning A Shares and 78 announcements concerning H Shares pursuant to the Listing Rules on the SSE and the Stock Exchange. Announcements concerning A Shares were published on the websites of the SSE and the Company as well as in China Securities Journal and Shanghai Securities News, while those concerning H Shares were published on the websites of the Stock Exchange and the Company. Details of all these announcements are available for inspection on http://www.sse.com.cn, http://www.hkexnews.hk or the Company's website http://www.cygs.com.

Investor relations

The management of the Company attaches great importance to investor relations management. Firstly, in conjunction with the Company's medium- and long-term development strategy, the Company has carried out synchronized planning for investor relations management, and included "market value management" as one of the "five core development strategies" in the Company's "14th Five-Year Plan". Secondly, the Company has continued to improve the system construction, revised its Work System of Investor Relations in accordance with the Work Guidelines for the Investor Relations Management of Listed Companies of the China Securities Regulatory Commission to further refine the work requirements, and established the Rules Governing Information Disclosure Matters to regulate the Company's voluntary information disclosure and optimize the management of investor relations. Thirdly, the Company held a market value management work meeting, proposed the establishment of a long-term mechanism to strengthen market value management. Fourthly, the Company has coordinated and deployed the work of organizing and coordinating investor relations management by the Secretary to the Board, and the Board Office, as a dedicated department for carrying out investor relations work, is equipped with specialized personnel.

During the Reporting Period, on the basis of strictly discharging its obligations in respect of statutory information disclosure, the Company, on one hand, through various forms of investor relations activities, conveyed information to investors which they are concerned with, increased the transparency of the Company, and enhanced mutual understanding and trust, while on the other hand, in delivering information to investors, the Company listened to their advice and collected feedback from them, aiming to form an interactive and mutual beneficial relation between the Company and investors. When the Company conducts its investor relations work, the Board Office of the Company undertake the specific responsibility for investor relations management mainly through: responding to investors' inquiries through the investor hotline, e-mail and network interactive platform in a timely manner; reception of investors and institutions engaged in securities analysis for field research; participating in large-scale investor presentations; hosting results presentations as well as domestic and overseas road shows; publishing information related to the Company's assets, traffic flow, toll income, information disclosure and corporate governance on the Company's website, etc.

The Board was satisfied with its implementation and effectiveness after conducting an annual review during the Reporting Period.

IV. CONCLUSION

Sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operation. More importantly, it fulfills the Company's internal development needs. The Company is committed to continuously enhancing its corporate governance standard. As a listed company with both A Shares and H Shares, we will continue to review and improve the Company's corporate governance practice from time to time in accordance with the regulatory systems in Shanghai and Hong Kong, market trend and feedback from investors to ensure steady development of the Company and continuous increase in Shareholders' value.

REPORT OF THE DIRECTORS

The Board hereby presents its report and the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group principally engages in the investment, construction, operation and management of expressway infrastructure projects and the expansion of traditional core businesses of derivative economy along the expressway; the Group also fosters and develops its industry of green energy with a focus on "charging, battery bank + power replacement and hydrogen energy". Details of the principal activities of the subsidiaries of the Company are set out in Note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

Particulars of the toll roads managed and operated by the Group as at 31 December 2023 are as follows:

Toll items	**Origin/destination**	**Approximate length**	**Date of commencement of official operations of the toll expressway**
Chengyu Expressway	Chengdu/Shangjiapo	226 km	7 October 1997
Chengya Expressway	Chengdu/Duiyan	144.1 km	1 January 2000
Chengren Expressway	Jiangjia/Zhichanggou	106.613 km	18 September 2012
Chengle Expressway	Qinglongchang/Guliba	86.4 km	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10.35 km	21 December 1998
Suixi Expressway	Jixiang Town/Taiping Town, Xichong County	67.644 km	9 October 2016
Suiguang Expressway	Jinqiao interchange/Hongtudi interchange intersecting Miansui Expressway	102.941 km	9 October 2016
Second Ring (Western) Expressway	Yongxing Town/Mengyang Town	114.26 km	16 February 2016

BUSINESS REVIEW

The business review conducted in accordance with the specified items in Schedule 5 of Hong Kong Company Ordinance includes detailed descriptions of group business, revelation of the possible trend of development of the Group business, the analysis on key financial performance indicators as well as the introduction of the relationships between the Group and its employees, which were respectively included in the following sections of the Annual Report: "Chairman's Statement", "Management's Discussion and Analysis", "Corporate Governance Report", "Profile of Directors, Supervisors, Senior Management and Employees". The aforesaid discussions and analyses shall constitute an integral part of Report of the Directors.

The business review conducted in accordance with other specified items in Schedule 5 of the Hong Kong Companies Ordinance includes major risks and uncertainties faced by the Group, major events that produced significant influences on the Group after the close of the Reporting Period, the introduction of the relationships between the Group and its customers and suppliers, the compliance of the Group with influential laws and regulations as well as the environmental policies and performances of the Company, which were included in this "Report of the Directors".

PRINCIPLE RISKS AND UNCERTAINTIES OF THE COMPANY

The risks faced by an enterprise refer to the impact of future uncertainties on the business objectives to be achieved by the enterprise. The Group is principally engaged in the investment, construction, operation and management of infrastructure such as toll roads. In recent years, with the rapid development and scale expansion of the Group's business, the risks faced by the Group are also increasing, primarily including policy risks, market risks, financial risks and management 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.

1. Policy risks and the corresponding measures

(1) Policy risks

a. Adjustment to tolling policy

The earnings of the Group were mainly derived from the operation and investment of toll roads. According to the relevant provisions of the "Highway Law", "the Regulations on Administration of Toll Roads" and "the Regulations for Expressways of Sichuan Province", the expressway company itself does not have the discretion pricing right concerning the tolling standard, the determination and adjustment to the tolling standard of the expressways under its management shall be reported to the provincial competent transportation authority and the commodities pricing bureau at the same level for their review and approval. In the event of significant changes in the operating environment, price level and operating costs and other factors, highway companies could apply for tolling adjustment, but there can be no assurance that the application may be approved in time. In addition, if the Government has introduced a new highway toll policy, expressway companies should implement these policies in accordance with the provisions, which in turn to some extent will affect the stability of its operating efficiency.

b. Restrictions on terms of operation

According to the provisions of the "Regulations on Administration of Toll Roads", the tolling terms for toll roads shall be reviewed and approved by the people's government of the relevant province, autonomous region or municipality in accordance with the relevant standards. The term of toll collection of operational roads in central and western provinces, autonomous regions or municipalities designated by the State shall not be more than 30 years.

According to the approval documents issued by relevant competent department of Sichuan Province, the terms of toll collections of the existing roads under management by the Group, such as Chengyu Expressway, Chengya Expressway, Chengbei Exit Expressway, Chengle Expressway, Chengren Expressway, Suixi Expressway and Suiguang Expressway, will expire in 2027, 2029, 2024, 2029, 2042, 2046 and 2046, respectively. Therefore, in the event that the toll collection terms of the Group's existing expressways expire and the Company has no other newly constructed or acquired operational expressway projects replenish in a timely manner, it will adversely affect the Company's sustainable business capacity.

c. *Adjustment of fee collection method*

From 1 January 2020, all the inter-provincial toll stations alongside expressways in China have been removed, the system of non-stop toll collection system has been officially used, and the significant adjustment of the expressway toll collection mode has brought new challenges to the management of toll roads of the Company. Firstly, at the beginning of the launch of new toll system, there were some technical and operational problems in actual operation process, which tested the performance of the Company's equipment and facilities and the technical level of managers. Secondly, the Company will face the problem of transferring a large number of charging personnel to other posts due to the fact that electronic toll has significantly replaced the manual toll.

(2) Corresponding measures

For policy risks, on the one hand, the Company should take the initiative to strengthen communication with and report to the competent governmental departments, so as to receive the support from the government and recognition of the society; on the other hand, the Company should strengthen its corporate strengths to improve its risk resistance ability. To this end, the Company will consolidate the supporting position of its core business of expressway to promote the continuous growth of asset scale and business with the starting point of "resource integration, asset operation and technology empowerment". The Company will, in accordance with the principle of proactiveness and prudence, make full use of its own advantages in management and technology and other resources to actively study and make an attempt on the industries and businesses related to toll roads and core business of the Company.

2. Market risks and the corresponding measures

(1) Market risks

a. *Risks relevant to macroeconomic fluctuation*

Road traffic and turnover are highly correlated with GDP. With respect to the expressway, macroeconomic fluctuations will result in changes of the transport capacity (representing the changes in road traffic flow and total amount of charges) required by the economic activities, which will also directly affect the expressway company's operating performance. Although the long-term trend of steady economic development of the PRC will not change, the current economic descending pressure should also be placed great emphasis on. New circumstances and new problems continuously arise in international and domestic economic operations will also be a concern and challenge to the Mainland China's economy. These factors will bring uncertainty to the operation of the Group's toll road projects.

b. *Risks relevant to road network changes*

To accelerate the construction of a comprehensive transport hub in western Sichuan province to build up full-fledged urban transport, the government and transportation authorities aim to establish a comprehensive and convenient road network through revision and improvement of plans and designs of regional road network as appropriate and the initiatives such as constructing new expressways and fast lines.

According to the Planning of Sichuan Province Expressway Network (2022–2035) (《四川省高速公路網規劃 (2022–2035年)》), the expressway mileage in the province will reach 20,000 kilometers (including 600 km of expansion double-line), of which 8,500 km will be national expressways, 11,500 km will be provincial expressways, and 1,700 km will be long-term prospects. During the Fourteenth Five-Year Plan period, Sichuan continued to speed up the construction of major passageways out of Sichuan and urban clusters, promoted the extension of expressways to ethnic areas, and promoted the expansion and renovation of important passageways with heavy traffic. After the implementation of the plan, by 2035, the provincial highway network will be formed with "efficient direct connection of the main axis, smooth access of the two wings, close connection of the three belts, and convenient connection of the three states", and the highway planning density will be increased to 4.11 kilometers per 100 square kilometers to better support economic and social development and fully meet the growing needs of the people for a better life. Meanwhile, the incremental stimulus generated by competitive or synergistic road network changes and short-term diversion and long-term network effects, to some extent will bring both positive or negative impact on the Group's expressways.

(2) Corresponding measures

For market risks, the Company will continue to track and analyze macroeconomic environment, national policies, as well as the impact of regional economy where the road assets of the Company is located on the business and operation of the Company; the Company will set up appropriate response strategies, striving to reduce the impact of macroeconomic fluctuations on the Company's business activities. Meanwhile, 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 master the traffic trends, improve the quality of road network services and increase inspection efforts to ensure accuracy of operation and development strategic decisions of the Company.

3. Financial risks and the corresponding measures

(1) Financial risks

a. Potential tax risks

The potential tax risks of the Company mainly include two aspects: on one hand, the tax activities of the Company may not comply with the provisions of the tax laws and regulations. The Company may face the risks of paying overdue taxes, fines, overdue fines, or suffering penalties and reputation damage in respect for its unpaid or less paid taxes for the taxable items; on the other hand, the Company may not accurately apply the tax law in business practices. We may have paid more taxes or borne unnecessary tax burdens since we may have not taken full advantage of relevant preferential policies.

b. Financing risks

With the increased number of investment projects, the investment scale maintaining at a rapid growth, the external financing needs of the Company has gradually become bigger. Under the current monetary policy, the borrowing costs from domestic commercial banks are relatively higher, and the borrowings are limited by the control of lending scale and investment direction from the banks. In order to meet future development needs and make full use of its own advantages as A+H shares listed companies, the Company continues to explore the construction of a multi-level, multi-channel financing model, so to achieve maximum optimization of capital costs and financing structure. Besides, our efforts of exploring new financing methods and channels will inevitably involve a large number of previously unfamiliar regulatory policies, laws and regulations, and we may bear relevant risks if we lack expertise in such areas.

(2) Corresponding measures

In view of the potential tax risks, the Company has adopted more effective tax risk prevention measures. Firstly, the Company has strengthened its learning about tax laws, regulations and policies, actively seeking for business guidance from tax collection and inspection authorities; secondly, hired tax consulting services agents to provide advices in respect of our tax activities; thirdly, designed control measures for the potential tax risk points, and strengthened the inspection and control of the work process of tax business. In view of the financing risks, the Company has adopted the following risk control measures: firstly, strengthened the training of relevant personnel to guide their continuous learning and growth; secondly, established strategic cooperative partnership with domestic and foreign financial institutions, and ensured mutual benefit and win-win results through long-term stable cooperation; thirdly, appointed intermediaries when necessary to provide professional advice on the Company's financing decisions and implementation of financing programs.

4. Management risks and the corresponding measures

(1) Management risks

a. Daily operational risks and natural disaster risks

After the completion and opening of the expressways, regular maintenances of the road are needed to ensure good road condition. In case of large repair area or long maintenance time, traffic flow will be affected. In our operation, in the event of floods, landslides, earthquakes and other unforeseen natural disasters, expressways are likely to be serious damaged and cannot work normally for a period of time. In case of fog, severe snow and ice, the expressway will be partially or even completely closed for a short period of time. Serious traffic accidents may cause traffic jams or weaken the traffic capacity or damage roads or bridges. The emergence of these situations will directly lead to the reduction in toll revenue and increase in maintenance costs, thus affecting the operation of expressway companies.

b. Investment risks of expressway projects

The expressway industry features large investments and long payback periods. It is a typical capital-intensive industry. Therefore, the investment strategy and decision of the project are the key factors to determine the asset quality and profit level of the Company. The Group regularly reviews and adjusts its investment strategies and utilizes external professional reports such as Feasibility Study Report, Traffic Volume Forecast and Valuation Report to maximize the quality of project evaluation. However, due to the complexity of the external environment, when the main assumptions or basic data of the project changes, the actual results of our of project investment may not meet our projections.

(2) Corresponding measures

In view of the above management risks, the Company has continued and will continue to take the following preventive and responding measures: strengthen the preventative maintenance and repairment of roads and reasonably arrange for the implementation of the project; effectively carry on comprehensive management measures by virtue of traffic law, high-speed traffic police and the Company's road asset management; strengthen road inspection under special weather conditions and ensure good road condition as well as safe and smooth traffic condition; vigorously implement the collection, research, demonstration and reserve work of high-quality projects, make timely adjustment of the project investment strategy, and create more sustainable growth points for the Group; in addition, we shall actively explore infrastructure investment cooperation under PPP model and continue promoting internal control system and improving the standardization and refinement level of the Group's management while strengthening the implementation efficiency and innovation ability, so as to enhance the comprehensive management ability.

IN COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS

The business of the Group is mainly conducted by the subsidiaries of the Company in Mainland China. The Company is listed on the SSE and the Stock Exchange. Within the year of 2016, the Company successfully acquired 100% of the stake of CSI SCE (incorporated in Hong Kong), therefore, the Group shall comply with relevant laws and regulations in Mainland China, Hong Kong and the respective places of incorporation of the Company and its subsidiaries.

During the Year and up to the date of this annual report, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCES

The Board highly values the relevant ESG matters, and approved and established the ESG work leading group. The Board supervises the matters related to ESG (including the ESG management principles, development strategies and supervision of relevant objectives) through the leading group.

The chairman of the Company shall be the leader of the leading group. The vice chairman and the general manager of the Company and the chairman of the Supervisory Committee shall be the deputy leaders. The other members of the executives of the Company shall be the members of the leading group, and shall conduct comprehensive management over the ESG work of the Group:

- to review the updates and prioritization of the Company's material issues and monitor the management of the issues;
- to consider the ESG-related risks and uncertainties faced by the Company;
- to review and approve ESG goal setting and continuously monitor progress towards achieving the goals.

The leading group has established the ESG office, the director of which shall be served by the director of the Board office of the Company, the members of which shall be comprised of the persons in charge of all departments of the parent company of the Company, primarily being responsible for and coordinating the specific matters and daily management of ESG works:

- to establish a complete ESG data ledger and conduct the quantitative and qualitative statistical analysis;
- to set up ESG work objective, and improve ESG performance;
- to complete ESG work conclusion and data archiving of relevant businesses;
- to guide the implementation of the relevant ESG works of the branches and all subsidiaries;
- to report the works to the leading group.

In addition, the persons in charge of branches and all subsidiaries under the Company shall be the first responsible person of their respective ESG works. The branches and all subsidiaries shall establish the corresponding governance structure and comprehensively strengthen the ESG works with reference to the governance structure of ESG work of the parent company of the Company.

The "Environmental, Social and Governance Report" required by the Listing Rules will be published together with the Company's annual report. For details about the environmental policy and performances, please refer to the "2023 Environmental, Social and Governance Report", and please contact the Company if a print version is required.

CHARITABLE DONATION

During the Reporting Period, the Group had no funds and materials for charity and social benefit.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the financial conditions of the Company and the Group at that date are set out in the audited financial statements on pages 117 to 125 herein.

Pursuant to the Articles of Association, if the Company distributes cash dividend, the Company shall distribute cash dividend in an amount not less than 30% of the distributable profit earned by the Company for the period concerned, based on the lower of the Company's profits determined under the following generally accepted accounting principles:

- the accounting principles and the relevant financial regulations applicable to joint-stock companies with limited liabilities established in the PRC ("PRC GAAP"); and

- Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The Board has recommended a final cash dividend for the year 2023 of RMB0.24 per share of ordinary shares (tax inclusive), aggregating to approximately RMB733,934,000 and representing 60.22% of the distributable profit of the Company determined under PRC GAAP for the year and 61.83% of the profit attributable to owners of the Company as shown in the consolidated financial statements.

The proposed dividend distribution is subject to the approval of the Shareholders at the Company's forthcoming 2023 AGM. If approved, the final dividend is expected to be paid on or around Thursday, 11 July 2024 to the Shareholders whose names appear on the H Shares register of members of the Company on Wednesday, 12 June 2024 (the "Dividend Entitlement Date"). In respect of the arrangement in relation to the closures of H Shares register of members for the purposes of determining the Shareholders' entitlement to attend the 2023 AGM and to receive the proposed 2023 final dividend, please refer to the paragraph headed "CLOSURES OF REGISTER OF MEMBERS OF H SHARES" below.

This proposed final dividend is set out in Note 10 to the financial statements.

According to the Law on Corporate Income Tax of the People's Republic of China and its implementing rules which has come into effect since 1 January 2008 and other relevant rules, a PRC domestic enterprise which pays dividend to a non-resident enterprise Shareholder in respect of accounting period beginning from 1 January 2008 shall withhold and pay enterprise income tax at the rate of 10%. The Company, as a PRC domestic enterprise, is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise Shareholders as appearing on the H Shares register of members of the Company. Any Shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise Shareholders and therefore will be subject to the withholding and paying of the corporate income tax by the Company.

Should the holders of H Shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in the PRC, Hong Kong and/or other countries (regions) on the possession and disposal of the H Shares.

Shareholders should read the information herein carefully. If anyone would like to change the identity of Shareholder, please enquire about the relevant procedures with the nominees or trustees. The Company is neither obligated nor responsible for ascertaining the identity of the Shareholders. In addition, the Company will withhold and pay the corporate income tax in strict compliance with the relevant regulations or provisions and strictly based on what has been registered on the Company's H Shares register of members as at the Dividend Entitlement Date. The Company will disregard and assume no liabilities for any requests or claims in relation to any delay or inaccuracy in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding and paying corporate income tax.

Shareholders are advised that the aforesaid arrangements are not applicable to the arrangements for distribution of the final dividend in respect of A Shares, which however will be published in a separate announcement on the SSE by the Company.

DISTRIBUTION OF DIVIDENDS TO INVESTORS UNDER SOUTHBOUND TRADING LINK

According to relevant requirements in the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(Cai Shui [2014] No. 81) and the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(Cai Shui [2016] No. 127) and, individual income tax (tax rate of 20%) shall be deducted by H Share companies from dividends received from investments in H Shares listed in the Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect by individuals and securities investment funds from Mainland China (excluding enterprise investors from Mainland China, which shall be declared and paid by themselves).

An agreement has been entered into between the Company and China Securities Depository and Clearing Corporation Limited regarding the dividend distribution arrangements to the H Share investors of the Company through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, pursuant to which, China Securities Depository and Clearing Corporation Limited, as the nominal holder of H Shares for Southbound Trading Link, will receive cash dividend declared by the Company and distribute them to relevant investors under Southbound Trading Link through its registration and settlement system. Cash dividend received by investors under Southbound Trading Link shall be settled in RMB. The Dividend Entitlement Date, cash dividend payment date and other time arrangements for investors under Southbound Trading Link shall be in line with that of Shareholders of H Shares of the Company.

Shareholders are advised that the aforesaid arrangements are not applicable in relation to the time and the arrangements for distribution of the final dividend in respect of A Shares, which however will be published in a separate announcement at the SSE by the Company.

SUMMARY FINANCIAL INFORMATION

The data for 2022 to 2023 below is a summary of the published results, assets and liabilities and non-controlling interests of the Group for the last two financial years, as extracted from the audited financial statements, and restated/reclassified as appropriate. The data for 2019 to 2021 below is a summary of the results, assets and liabilities and non-controlling interests of the Group's consolidated financial data restated but unaudited and on which the auditor has not expressed an opinion. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
RESULTS					
Profit before tax	**1,569,308**	927,041	2,195,803	696,543	1,257,930
Income tax expense	**(302,540)**	(247,880)	(323,979)	(233,356)	(322,554)
PROFIT FOR THE YEAR	**1,266,768**	679,161	1,871,824	463,187	935,376
Other comprehensive income/ (loss), net of tax	**(4,369)**	11,772	203,171	(76,590)	6,552
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,262,399**	690,933	2,074,995	386,597	941,928
Profit attributable to:					
Owners of the Company	**1,190,814**	626,897	1,791,664	404,099	888,218
Non-controlling interests	**75,954**	52,264	80,160	59,088	47,158
	1,266,768	679,161	1,871,824	463,187	935,376
Comprehensive income attributable to:					
Owners of the Company	**1,186,499**	639,135	1,995,699	326,095	894,185
Non-controlling interests	**75,900**	51,798	79,296	60,502	47,743
	1,262,399	690,933	2,074,995	386,597	941,928

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(restated)	(restated)	(restated)	(restated)
TOTAL ASSETS	**57,640,787**	56,199,140	57,046,865	56,901,683	54,885,076
TOTAL LIABILITIES	**(40,967,506)**	(34,588,353)	(35,572,164)	(37,262,570)	(35,354,966)
NON-CONTROLLING INTERESTS	**(999,963)**	(915,162)	(1,083,466)	(998,647)	(876,070)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**15,673,318**	20,695,625	20,391,235	18,640,466	18,654,040

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 12 to the financial statements, which constitutes part of the Report of the Directors.

SHARE CAPITAL

There were no movements in either the Company's registered or issued share capital during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities during the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in Note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB7,411,141,000. The Company's distributable reserves as at 31 December 2023 determined under HK GAAP were lower than those determined under PRC GAAP. In addition, in accordance with the Company Law of the PRC, the Company's share premium account, in the amount of RMB2,654,601,000 may be distributed in the form of bonus shares.

MAJOR CUSTOMERS

The combined revenue attributable to the five largest customers of the Group accounted for less than 30% of the total revenue of the Group during the Year.

SERVICE VENDORS

Sound relationships with key service vendors of the Group are important in supply chain, premises management and meeting business needs, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise equipment vendors, construction material vendors, oil products vendors, external consultants which provide professional services and other business partners which provide value-added services to the Group.

Total purchases attributable to the top five service vendors and the proportion over total purchases for the year is listed as below:

No.	**Name**	**Purchase** *RMB'000*	**Percentage over the annual purchase** *(%)*
1	Road and Bridge International Co., Ltd.	2,088,769	29
2	PetroChina Company Limited Sichuan Sales Chengdu Branch, Ziyang Branch, etc.	1,024,430	14
3	Sichuan Transportation Construction Group Co., Ltd.	677,210	10
4	Hongyun Supply Chain Co., Ltd. (鴻雲供應鏈有限責任公司)	564,624	8
5	Sinopec Sales Company Limited (中國石化銷售股份有限公司)	365,544	5
Total		**4,720,577**	**66**

During the Year, none of the Directors and Supervisors or their close associates, or Shareholders who, to the best knowledge of the Directors and Supervisors own more than 5% of the issued share capital of the Company, have any actual interests in the top five service vendors of the Group.

During the and as at 27 March 2024, the Directors and Supervisors of the Company were:

Executive Directors:
Mr. Gan Yongyi *(resigned on 20 October 2023)*
Mr. Li Wenhu *(resigned on 8 March 2024)*
Madam Ma Yonghan
Mr. You Zhiming
Madam Xue Min *(resigned on 8 August 2023)*

Non-executive Directors:
Mr. Wu Xinhua
Mr. Li Chengyong
Mr. Chen Chaoxiong

Independent Non-executive Directors:
Mr. Yu Haizong
Mr. Yan Qixiang *(resigned on 1 February 2024)*
Madam Bu Danlu
Mr. Zhang Qinghua
Mr. Zhou Hua *(appointed on 1 February 2024)*

Supervisors:
Mr. Luo Maoquan
Mr. Ling Xiyun
Mr. Wang Yao
Madam Gao Ying
Madam Li Tao
Madam Lu Xiaoyan

All the members of the Board and the Supervisory Committee were appointed for a term of three years from the date of 18 November 2022 until expiry of the eighth session of the Board and the Supervisory Committee.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the Supervisors of the Company and the senior management of the Group are set out under Section VIII of "Profile of Directors, Supervisors and Senior Management" of the annual report, which constitutes part of the Report of the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors of the Company has entered into a service contract with the Company from their respective date of appointment for a term of three years. None of the Directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MAJOR CONTRACTS

None of the Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, interests and short positions held by Directors, Supervisors and chief executives of the Company in Shares, underlying shares or bonds of the Company or its associated corporation (as defined in Part XV of the SFO) that, by virtue of Parts 7 and 8 of the SFO, which shall be reported to the Company and the Stock Exchange (including interests and short positions, by virtue of the SFO or other regulations, deemed to be or treated as held by these Directors, Supervisors and chief executives); or any interests or short positions that shall be recorded in the register required to be kept under Section 352 of the SFO; or interests or short positions that, by virtue of Model Code as set out in Appendix C3 to the Listing Rules on the Stock Exchange, shall be notified to the Company and the Stock Exchange, are as follows:

Name	Class of Shares	Long position/ Short position	Number of the Company's Shares held	Approximate percentage in the total share capital of the Company	Approximate percentage in A/H Shares	Capacity
Gan Yongyi (resigned on 20 October 2023)	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Luo Maoquan	A Shares	Long position	10,000	0.0003%	0.0005%	Beneficial owner

MANAGEMENT CONTRACTS

Save for service contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into during the Year.

DIRECTORS' REMUNERATION

The remuneration of the Directors of the Company (including executive directors and independent non-executive Directors) on a named basis are set out in Note 8 to the financial statements during the Year, which constitutes part of the Report of the Directors.

INDEMNITY PROVISION

Since March 2012, the Company has purchased liability insurance for Directors, Supervisors and senior management of the Company in relation to their performance of duties.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the following interests and short position of the Shares and underlying shares of the Company held by substantial Shareholders or other persons (other than the Directors, Supervisors and chief executives of the Company) were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

Name	Class of Shares	Long position/ Short position	Number of the Company's Shares held	Approximate percentage in the total share capital of the Company	Approximate percentage in A/H Shares	Capacity
Shudao Investment	A Shares	Long position	1,035,915,462	33.87%	47.90%	Beneficial owner
	H Shares	Long position	183,064,200	5.99%	20.45%	Beneficial owner
		Total:	1,218,979,662	39.86%	–	Beneficial owner
China Merchants Expressway Company	A Shares	Long position	664,487,376	21.73%	30.72%	Beneficial owner
	H Shares	Long position	96,458,000 (Note)	3.15%	10.77%	Interest in controlled corporation
		Total:	760,945,376	24.88%	–	

Note: Cornerstone Holding Limited, a wholly-owned subsidiary of China Merchants Expressway Company, was interested in the H shares of the Company. By virtue of the SFO, China Merchants Expressway Company is therefore deemed to be interested in such Shares held by Cornerstone Holding Limited.

Save as disclosed above, as at 31 December 2023, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors or Supervisors of the Company were considered to have any interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined under the Listing Rules on the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Company and the Group had the following continuing connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules on the Stock Exchange:

(a) On 24 December 2010, the Company and Sichuan Zhineng Transportation System Management Company Limited ("Zhineng Company"), entered into a service agreement, in relation to provision of a computer system on expressways network toll fee collection and technological services to the expressways of the Company, with a service charge of 0.4% of toll income for a term of 3 years from 1 January 2011 to 31 December 2013. On 11 December 2013, the Company renewed the service agreement with Zhineng Company for a term of 3 years from 1 January 2014 to 31 December 2016, with a service charge of 0.4% of toll income or RMB15,000,000 per annum, whichever is lower. On 13 December 2016, the Company renewed the service agreement with Zhineng Company for a term of 2 years from 1 January 2017 to 31 December 2018, with a service charge of 0.4% of toll income or RMB15,000,000 per annum, whichever is lower. On 29 November 2018, the Company renewed the service agreement with Zhineng Company for a term of 3 years from 1 January 2019 to 31 December 2021, with a service charge of 0.4% of toll income or RMB25,000,000 per annum, whichever is lower. On 23 December 2021, the Company renewed the service agreement with Zhineng Company for a term of 3 years from 1 January 2022 to 31 December 2024, with a service charge of 0.4% of toll income or RMB35,000,000 per annum, whichever is lower. On 14 October 2022, the Company entered into the Road Network Operation Guarantee Services Agreement with Zhineng Company for a term of 3 years from 1 November 2022 to 31 October 2025, with a service charge of 0.4% of toll income or RMB35,000,000, whichever is lower. Zhineng Company will be responsible for managing the floating service fee and vehicle toll settlement time of the Group's expressways based on the safety and service quality assessment scores (assessed by the government). From 1 November 2022, the Previous Services Agreement entered into between the Company and Zhineng Company on 23 December 2021 will be terminated concurrently. The service fee the Group paid to Zhineng Company during the Year totalled approximately RMB18,850,000 (2022: RMB12,629,000).

(b) On 27 December 2018, the Company and PetroChina Company Limited Sichuan Sales Branch ("PetroChina Sichuan Sales Branch") entered into the Refined Oil Agreement, pursuant to which Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2019 to 31 December 2019. On 31 December 2019, the Company and PetroChina Sichuan Sales Branch agreed to renew the transaction terms. Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2020 to 31 December 2020. On 28 December 2021, the Company and PetroChina Sichuan Sales Branch agreed to renew the transaction terms. Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2022 to 31 December 2022, with the annual cap being RMB1,500,000,000. On 12 December 2022, the Company and PetroChina Sichuan Sales Branch agreed to renew the transaction terms. Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2023 to 31 December 2023, with the annual cap being RMB1,500,000,000. On 12 December 2023, the Company and PetroChina Sichuan Sales Branch agreed to renew the transaction terms. Zhonglu Energy agreed to purchase refined oil from PetroChina Sichuan Sales Branch for the year from 1 January 2024 to 31 December 2024, with the annual cap being RMB1,430,000,000. Purchase amount recognised during the Year approximated to RMB1,024,430,000 (2022: RMB985,902,000), which was below the cap amount of RMB1,430,000,000. PetroChina Company Limited Sichuan Sales Branch is a subsidiary of PetroChina Company Limited (中國石油天然氣股份有限公司), which holds 49% equity interest in Zhonglu Energy.

(c) On 8 December 2022, the Company entered into the Property Management Services Framework Agreement with Sichuan Shudao Urban & Rural Investment Group Co., Ltd. ("Shudao Urban & Rural"), pursuant to which Shudao Urban & Rural agreed to provide property management services to the Company from 1 January 2022 to 31 December 2024, with the annual caps for the three financial years ending 31 December 2022, 2023 and 2024 of RMB20,000,000, RMB40,000,000 and RMB60,000,000, respectively. The total service fee recognised for the year amounted to RMB13,812,000. Shudao Urban & Rural is a wholly-owned subsidiary of Shudao Investment, the controlling shareholder of the Company.

(d) On 16 November 2021, the Company and Shudao Investment entered into the continuing connected transaction – Construction Framework Agreement. As the previous construction framework agreement entered into between the Company and Shudao Investment expired on 31 December 2022, the Company and Shudao Investment entered into a construction framework agreement on 18 November 2022, pursuant to which, Shudao Group contracted certain construction services from the Group for the period from 1 January 2023 to 31 December 2023. Related party transaction amounts recognised in this year are as below: During the Year, Shudao Group was engaged by the Group to undertake various construction work of expressways and ancillary facilities, daily maintenance work of expressways and ancillary facilities, emergency or rescue works of expressways and ancillary and municipal construction works. Construction revenue recognised during the Year amounted to RMB1,251,590,000 (2022: RMB1,325,508,000), which was below the annual cap amount of RMB2,769,000,000.

    As the construction framework agreement entered into between the Company and Shudao Investment on 18 November 2022 expired on 31 December 2023, the Company and Shudao Investment entered into a construction framework agreement on 12 December 2023, pursuant to which, Shudao Group shall contract certain construction services from the Group for the period from 1 January 2024 to 31 December 2024 and the annual cap was RMB3,856,000,000.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed pursuant to Rule 14A.55 of the Listing Rules on the Stock Exchange that these continuing connected transactions were entered into (i) in the ordinary and usual course of businesses of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, 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 Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules on the Stock Exchange.

CONNECTED TRANSACTIONS

Further details of the Group's connected transactions during the Year are included in Note 32 to the financial statements.

Details of performance commitment/guaranteed profits under Rule 14A.63 of the Listing Rules on the Stock Exchange.

In relation to the acquisition of 100% equity interest in Rongcheng Second Ring Company, pursuant to the Equity Transfer Agreement entered into among the Company (as the purchaser), Shudao Expressway and SRB Group (jointly as the vendors) and Shudao Investment (as the performance guarantor of the Rongcheng Second Ring Company together with Shudao Expressway) on 17 February 2023, from 1 January 2023 to 31 December 2029, Shudao Expressway and Shudao Investment are subject to a performance commitment in respect of the net profit of Rongcheng Second Ring Company, and if the actual realised net profits do not reach the valuation projection underlying the valuation, performance compensation shall be made to the Company in cash. From 1 January 2023 to 31 December 2025, guaranteed profit was not less than RMB231,177,770, and according to the valuation report in respect of the market value of the 100% equity interest in Rongcheng Second Ring Company as at 30 September 2022 issued by Beijing North Asia Asset Assessment Firm (Special General Partnership), an independent qualified valuer in the PRC, "X. SELECTION OF IMPORTANT PARAMETERS IN PROJECTION AND CALCULATION IN VALUATION PROCESS - 9. Future net cash flow", it is estimated that the future net cash flow of Rongcheng Second Ring Company amounts to RMB22,906,900 in 2023. Details are set out in the Company's circular dated 10 March 2023.

According to the unaudited accounts of Rongcheng Second Ring Company (which were prepared and audited only under the Accounting Standards for Business Enterprises of China), it recorded a net profit of RMB26,197,400 in 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Connected transactions

Reference is made to the announcement of the Company dated 30 January 2024 in relation to the entering into of the Asset Transfer Agreement between Sichuan Shudao New Energy Technology Development Co., Ltd.* (四川蜀道新能源科技發展有限公司), a wholly-owned subsidiary of the Company, and Sichuan Shujiao New Energy Co., Ltd.* (四川蜀交新能源有限公司), an indirect subsidiary of Shudao Investment, pursuant to which Sichuan Shudao New Energy Technology Development Co., Ltd.* (四川蜀道新能源科技發展有限公司) agreed to acquire, and Sichuan Shujiao New Energy Co., Ltd.* (四川蜀交新能源有限公司) agreed to sell the Charging Station Assets (the public charging stations and their ancillary facilities that have been constructed and put into operation, involving 27 expressway service areas such as Raochengdong, Meishan, Luding and Panzhihua service areas, and 48 charging stations with a total of 204 direct current charging piles and 408 charging guns). The final consideration will not exceed RMB84,500,698 (tax inclusive).

Changes in Directors

Reference is made to the announcement of the Company dated 4 January 2024, Mr. Zhang Qinghua, an independent non-executive Director of the Company, tendered his resignation from his positions as an independent non-executive Director of the Company, the committee chairman of the remuneration and appraisal committee under the Board, a member of the audit committee under the Board and a member of the strategic committee under the Board due to personal work changes. In accordance with provisions of the Articles of Association, the resignation of an independent non-executive Director shall be effective upon the succeeding independent non-executive Director filling the vacancy. Until then, Mr. Zhang will continue to perform his duties as an independent non-executive Director of the Company and a member of the relevant committees under the Board in accordance with relevant laws, regulations and the Articles of Association.

References are made to the announcements of the Company dated 12 June 2023 and 1 February 2024, Mr. Yan Qixiang, an independent non-executive Director of the Company, has tendered his resignation from his positions as an independent non-executive Director of the Company, a member of the audit committee under the Board and a member of the nomination committee under the Board due to personal work changes. In accordance with the provisions of the Articles of Association, the resignation of an independent non-executive Director shall be effective upon the next independent non-executive Director filling the vacancy. On 1 February 2024, subject to the consideration and approval at the first extraordinary general meeting of the Company in 2024, Mr. Zhou Hua was elected as an independent non-executive Director of the eighth session of the Board, and the resignation of Mr. Yan Qixiang took effect on the same date.

Reference is made to the announcement of the Company dated 8 March 2024, Mr. Li Wenhu, an executive Director of the Company, tendered his resignation from his positions as an executive Director, the vice chairman (acting as the chairman), the general manager of the Company and the authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules on the Stock Exchange on 8 March 2024 due to the change of his work arrangements.

AUDITORS

For the year ended 31 December 2023, Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young acted as domestic and international auditors of the Company respectively. The Company has not changed its auditors in the past three years.

Auditors' remuneration is set out in Note 7 to the financial statements.

CLOSURES OF REGISTER OF MEMBERS OF H SHARES

For the purposes of determining the Shareholders' entitlement to attend the 2023 AGM and to receive the 2023 final dividend, the H Shares register of members of the Company will be closed during the following periods:

(a) In respect of attending and voting at the 2023 AGM

Deadline for lodging transfer documents	4:30 p.m. on 14 May 2024 (Tuesday)
Closure period of the H Shares register of members	From 15 May 2024 (Wednesday) to 23 May 2024 (Thursday) (both days inclusive)
Record date	23 May 2024 (Thursday)
Date of the 2023 AGM	23 May 2024 (Thursday)

(b) In respect of the entitlement to 2023 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 5 June 2024 (Wednesday)
Closure period of the H Shares register of members	From 6 June 2024 (Thursday) to 12 June 2024 (Wednesday) (both days inclusive)
Dividend Entitlement Date	12 June 2024 (Wednesday)

In order to be entitled to attend and vote at the 2023 AGM, and to receive the 2023 final dividend of the Company, H shares Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates are lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before the time above designated for lodging transfer documents.

Shareholders are advised that the Company will make separate announcement on the SSE in respect of details of the arrangements regarding the distribution of 2023 final dividend to the holders of A Shares and eligibility of the holders of A Shares for attending the 2023 AGM.

ON BEHALF OF THE BOARD
You Zhiming
Executive Director, Vice Chairman and General Manager, Acting Chairman

Chengdu, Sichuan Province, the PRC
27 March 2024

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT FOR THE YEAR

Name	Gender	Age[1]	Length of services with the Company	Position during the Reporting Period and as at 27 March 2024	Total remuneration during the Reporting Period *(RMB0'000) (before tax)*
You Zhiming[2]	Male	51	From November 2019 to present	Executive Director, Vice Chairman and General Manager, Acting Chairman	63.46
Wu Xinhua	Male	56	From November 2022 to present	Non-executive Director, Vice Chairman	0
Ma Yonghan	Female	44	From June 2020 to present	Executive Director	63.46
Li Chengyong	Male	43	From November 2019 to present	Non-executive Director	0
Chen Chaoxiong	Male	58	From August 2022 to present	Non-executive Director [5]	0
Yu Haizong	Male	59	From May 2021 to present	Independent Non-executive Director	8
Bu Danlu	Female	45	From November 2019 to present	Independent Non-executive Director	8
Zhang Qinghua	Male	48	From August 2022 to present	Independent Non-executive Director	8
Zhou Hua[3]	Male	55	From February 2024 to present	Independent Non-executive Director	0
Luo Maoquan	Male	58	From December 2006 to present	Chairman of Supervisory Committee	69.81
Ling Xiyun	Male	59	From November 2019 to present	Supervisor	0
Wang Yao	Male	51	From November 2019 to present	Supervisor	0
Gao Ying	Female	35	From June 2020 to present	Supervisor	0
Li Tao	Female	52	From November 1997 to present	Supervisor	62.96

Notes:

(1) Calculated based on age as at 31 December 2023.

(2) Having served as the vice chairman and general manager of the Company with effect from 15 March 2024. Having performed the duties of chairman of the Board as acting chairman since 5 March 2024 until the date on which the newly elected chairman of the Board takes office.

(3) Having served as an independent non-executive director of the Company with effect from 1 February 2024.

Name	Gender	Age[1]	Length of services with the Company	Position during the Reporting Period and as at 27 March 2024	Total remuneration during the Reporting Period *(RMB0'000) (before tax)*
Lu Xiaoyan	Female	51	From January 1998 to present	Supervisor	49.38
Guo Renrong	Male	51	From October 2017 to present	Financial Controller	62.96
Heibilayi	Male	38	From September 2019 to present	Deputy General Manager	62.96
Peng Chi	Male	54	From June 2020 to present	Deputy General Manager	62.96
Liu Dong	Male	51	From July 2020 to present	Chief Engineer	63.46
Yao Jiancheng	Male	44	From June 2022 to present	Secretary to the Board	62.96
Chen Yangbo	Male	45	From March 2022 to present	Secretary of Discipline Inspection Commission	65.34
Gan Yongyi [4]	Male	60	From March 2001 to October 2023	Executive Director, Chairman	64.59
Li Wenhu[5]	Male	46	From November 2019 to March 2024	Executive Director, Vice Chairman and General Manager, Acting Chairman	77.51
Xue Min [6]	Female	44	From August 2022 to August 2023	Executive Director	37.69
Yan Qixiang [7]	Male	52	From November 2019 to February 2024	Independent Non-executive Director	8

The remuneration of each Director, Supervisor and senior management was below HK$1,000,000 during the Year.

Notes:

(4) Resigned on 20 October 2023.

(5) Resigned on 8 March 2024.

(6) Resigned on 28 August 2023.

(7) Resigned on 1 February 2024.

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period:

On 12 June 2023, Mr. Yan Qixiang tendered his resignation from the positions as an independent non-executive Director of the Company, a member of the Audit Committee under the Board and a member of the Nomination Committee under the Board due to personal work changes. In accordance with provisions of the Articles of Association, the resignation of an independent non-executive Director shall be effective upon the succeeding independent non-executive Director filling the vacancy. On 1 February 2024, subject to the consideration and approval at the first extraordinary general meeting of the Company in 2024, Mr. Zhou Hua was elected as an independent non-executive Director of the eighth session of the Board of the Company, and the resignation of Mr. Yan Qixiang shall also be effective on the same date.

On 28 August 2023, Madam Xue Min tendered her resignation from her position as an executive Director of the Company due to change in her work arrangements.

On 20 October 2023, Mr. Gan Yongyi resigned from the positions as the chairman, an executive Director, the committee chairman of the Strategic Committee under the Board, and a member of the Nomination Committee under the Board and the authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules on the Stock Exchange due to reaching the retirement age.

After the Reporting Period and as at 27 March 2024

On 1 February 2024, subject to the consideration and approval at the first extraordinary general meeting of the Company in 2024, Mr. Zhou Hua was elected as an independent non-executive Director of the eighth session of the Board of the Company.

On 8 March 2024, Mr. Li Wenhu resigned from the positions as an executive Director, the vice chairman, the general manager, the acting chairman and the authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules on the Stock Exchange due to the change of his work arrangements.

On 15 March 2024, the Board approved the appointment of Mr. You Zhiming, one of the existing executive Directors, as the vice chairman of the eighth session of the Board, the general manager and the acting chairman.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Biographies of incumbent Directors for the Year are as follows:

Mr. You Zhiming, aged 51, successively graduated from Neijiang Normal University* (內江師範專科學校) and the Party School of Sichuan Provincial Committee of the Chinese Communist Party with a postgraduate degree, and is a political engineer* (政工師). He successively served as a teacher and the secretary of the League Committee of Jiajia High School of Jianyang City, the deputy secretary and the secretary of Jianyang Municipal Committee of the Communist Youth League of China, the secretary of the Party Committee of Pingquan Town of Jianyang City, a cadre of Ziyang Municipal Urban Planning and Development Bureau, the chief of the Village and Town Construction Section and the Urban-rural Planning and Management Section, the director of the Municipal Surveying and Mapping Office, the deputy director of the Management Committee of Ziyang Municipal Economic Development Zone of Sichuan Province, the deputy chief executive, a standing member of the District Committee, the chief of the Organization Department and the principal of the Party School of the Yanjiang District Government of Ziyang City, the director and the secretary of the Leading Party Members' Group of Ziyang Municipal Supply and Marketing Cooperatives Association* (資陽市供銷合作社聯合社), and the chief of the Organization Department (Human Resources Department, United Front Work Department) of Party Committee and the director of the Office of the Remuneration and Appraisal Committee of STIG, a non-executive Director, executive Director and the deputy general manager of the Company. He currently serves as an executive Director, the vice chairman and the general manager of the eighth session of the Board and concurrently serves as the chairman and legal representative of Chengdu Chengbei Exit Expressway Company Limited.

Mr. Li Wenhu, aged 46, graduated from Southwestern University of Finance and Economics with a MBA degree. He is an accountant, a senior economist and a certified public accountant. He has worked at Xitieshan Mining Bureau of China National Non Ferrous Metal Corporation, successively serving as the chief accountant of Hubei Hanjiang Branch of Western Mining, the director of the Financial Department of Laohekou Hanjiang Branch of Western Mining, the person in charge of the Financial Department of Sichuan Xiasai Silver Co., Ltd.* (四川夏塞銀業有限責任公司), Sichuan Huidong Daliang Mining Co., Ltd.* (四川會東大梁礦業有限公司) and Bayannur Western Mining Co., Ltd. of Western Mining* (西部礦業巴彥淖爾西部銅業有限公司), the deputy chief of the Financial Management Department (Fund Management Center) of STIG and the person in charge of Interim Working Group for Advancing Reform of STIG; and the financial controller of the Company, a director of Chengyu Financial Leasing Company and CSI SCE, the chairman and legal representative of Chengyu CCB Fund Company (成渝建信基金公司), the chief of the Investment and Development Department and Capital Operation Department, the director of the Office of Investment Review Committee of STIG, the chairman and legal representative of Shudao (Sichuan) Innovation Investment Development Co., Ltd. (蜀道(四川)創新投資發展有限公司) (formerly known as "Sichuan Transportation Investment Innovation Development Co., Ltd* (四川交投創新投資發展有限公司)"), a director of Shandong Hi-Speed Road and Bridge Co., Ltd. (山東高速路橋集團股份有限公司), and a director of Shanghai Hangzhou Passenger Dedicated Line Co., Ltd. * (滬杭鐵路客運專線股份有限公司). He served as an executive director, the vice chairman of the eighth session of the Board and the general manager of the Company from November 2022 to 8 March 2024; acted as the chairman of the eighth session of the Board from October 2023 to 8 March 2024.

Mr. Wu Xinhua, aged 56, graduated from Renmin University of China with a bachelor's degree in national economic management. He successively served as the chairman of Huaqi Investment Co., Ltd., the vice chairman of Shanxi Transportation Development Group Co., Ltd.* (山西交通事業發展集團有限公司), the vice chairman of Fujian Expressway Development Co., Ltd., the director and general manager of China Merchants Traffic Information Technology Co., Ltd., the director of China Merchants New Intelligence Technology Company Limited, the director of Tibet China Merchants Construction Electronic Information Co., Ltd., the chairman and general manager of Guogao Cyberspace Information Technology Co., Ltd., the chairman of China National Radio Media Limited Liability Company, the deputy general manager of China Merchants Huajian Highway Investment Co., Ltd., the chief operating officer of China Merchants Asia-Pacific Co., Ltd., the general manager of the Investment Banking Department of China Merchants Securities Co., Ltd. of Shanghai, the general manager of the Investment Banking Department of Tiantong Securities Company Limited* (天同證券有限責任公司), the general manager of the Southern Business Department of Shangdong Securities Co. Ltd., the deputy general manager of Shenzhen Management Headquarters of CITIC Securities Company Limited, and the assistant manager of the Securities Department of Shekou Industrial Zone Southern Glass Holding Co., Ltd.. He is currently the deputy general manager and a member of the Party Committee of China Merchants Expressway Network & Technology Holdings Co., Limited, the chairman of China Merchants State Grid Green Energy Technology Company Limited, the chairman of the board of supervisors of Xingyun Shuju (Beijing) Technology Co., Ltd., a director of Hunan Quanlutong Network Technology Co., Ltd., a director of Jiangsu Expressway Company Limited, a director of Sanming Shao San Expressway Co., Ltd., a director of China Merchants Hainan Development Investment Co., Ltd., the vice chairman of the board of directors of Shandong Hi-Speed Company Limited, a director of China Merchants Traffic Information Technology Co., Ltd., the vice chairman of the board of directors of Jiangsu Yangtze Bridge Co., Ltd. (江蘇揚子大橋股份有限公司), a director of Xinshijie (Beijing) Technology Co., Ltd., a director of China Merchants Equity Investment Fund Management (Tianjin) Co., Ltd., the chairman and secretary of the Party Committee of China Merchants New Intelligence Technology Company Limited, as well as a non-executive Director and the vice chairman of the eighth session of the Board.

Madam Ma Yonghan, aged 44, graduated from Sichuan University, majoring in political economy in the School of Economics and administrative management in the School of Public Administration of Sichuan University, with a master's degree. She is a senior economist. She has served as the deputy secretary of the Youth League Committee and the deputy director of the Party Committee office of Sichuan Expressway Construction and Development, the deputy director of the party committee and affairs department (黨群工作部) (the discipline inspection and supervision office) and the deputy director of the mass organization department (群團工作部) of STIG, the director of the party committee office of Sichuan Expressway Construction and Development and the director, the secretary of the Youth League Committee, the vice chairwoman of the labour union under the mass organization department of STIG and an executive Director of the seventh session of the Board of the Company. She currently serves as an executive Director of the eighth session of the Board.

Mr. Li Chengyong, aged 43, graduated from the department of finance and economics of Chongqing Jiaotong College with a bachelor's degree and is a senior accountant. He has successively served as the head of the Finance Department of Chengdu Municipal Development Company* (成都市市政開發總公司), the deputy chief of the Planning and Finance Section of Chengdu Urban Road and Bridge Management Office* (成都市城市道路橋樑管理處), the business executive of the Asset Management and Audit Department and the deputy chief of Finance Management Department (Fund Management Centre) of STIG, the deputy director of Financial Management Department (Fund Management Centre) of Shudao Group and a director of Shudao (Sichuan) Innovation Investment Development Co., Ltd. (蜀道(四川)創新投資發展有限公司) (formerly known as "Sichuan Transportation Investment Innovation Development Co.,Ltd* (四川交投創新投資發展有限公司)"). He currently acts as the director of the Fund Management Centre of Shudao Group, the director of Sichuan Chuanrui Development & Investment Co., Ltd.* (四川省川瑞發展投資有限公司), and a non-executive Director of the eighth session of the Board.

Mr. Chen Chaoxiong, aged 58, obtained a bachelor's degree and a senior accountant. He served as the head of the finance section of Guangyuan Municipal Transportation Bureau, a director and the chief financial officer of Sichuan Jiaotou New Energy Co., Ltd.* (四川交投新能源有限公司), the chief financial officer and chairman of the labor union of Sichuan Jiaotou Transport Media Co., Ltd.* (四川交投運務傳媒有限公司), the chairman of the board of directors (legal representative) of Sichuan Jiaotou Commerce and Trade Co., Ltd.* (四川交投商貿有限公司), the assistant to the general manager of Sichuan Trading Industry Company Limited* (四川交投實業有限公司), the assistant to the general manager of Shudao Transport Services Group Co., Ltd.* (蜀道交通服務集團有限責任公司) and concurrently the chairman of the board of directors of Sichuan Shujiao Commerce and Trade Co., Ltd.* (四川蜀交商貿有限公司). He is currently a Class II director of Shudao Investment Group Co., Ltd. (蜀道投資集團有限責任公司), an external director of Sichuan Shudao Intelligent Transportation Co., Ltd. (四川蜀道智慧交通有限公司), an external director of Sichuan Shudao Railway Operation and Management Group Co., Ltd. (四川蜀道鐵路運營管理集團有限責任公司) and a non-executive Director of the eighth session of the Board.

Mr. Yu Haizong, aged 59, graduated from Southwestern University of Finance and Economics with a bachelor's degree, a master's degree in economics (accounting) and a doctorate degree in management (accounting). He is a certified public accountant (non-practising) in the PRC, a senior member of the Accounting Society of China, vice-president of Chengdu Real Estate and Accounting Association (成都房地產會計學會) and accounting professor. He successively served as an independent director of Sichuan Jiuzhou Electronic Co., Ltd. and an independent Director of the Company. He is currently a professor in the School of Accounting of Southwestern University of Finance and Economics, as well as an independent director of China Vanadium Titano Magnetite Mining Company Limited, an independent director of Chengdu Haoneng Technology Co., Ltd., an independent director of HitGen Inc., and a non-executive Director of the eighth session of the Board.

Mr. Yan Qixiang, aged 52, successively graduated from Sichuan University and Southwest Jiaotong University, holds a doctorate degree and possesses postdoctoral experience, and is a professor and doctoral supervisor. He once served as the director of the Department of Geotechnical Engineering of Southwest Jiaotong University, an executive deputy director of the Key Laboratory of Transportation Tunnel Engineering of Ministry of Education, and currently is the head of the Faculty Department of Southwest Jiaotong University. From November 2022 to February 2024, he was an independent non-executive Director of the eighth session of the Board.

Madam Bu Danlu, aged 45, graduated from Southwestern University of Finance and Economics with a doctorate degree, and is a professor, doctoral supervisor, certified public accountant and certified tax agent. She was selected into the fifth National Leading Accounting Talents Program of the Ministry of Finance (Academic), and a member of the first and the second Consulting Committee of Corporate Accounting Standard of the Ministry of Finance. She has successively served as a lecturer, an associated professor of Southwestern University of Finance and Economics and an independent director of North Chemical Industries Co., Ltd. (北方化學工業股份有限公司) (formerly known as "Sichuan Nitrocell Co., Ltd. (四川北方硝化棉股份有限公司)"). She currently acts as a professor of the School of Accounting of Southwestern University of Finance and Economics, an independent director of Chengdu Raise Environmental Protection Technology Co., Ltd* (成都鋭思環保技術股份有限公司), an independent director of Hangzhou Huaxing Chuangye Communication Technology Co., Ltd. (杭州華星創業通信技術股份有限公司), an independent director Fulin Precision Machining Co., Ltd. and an independent non-executive Director of the eighth session of the Board.

Mr. Zhang Qinghua, aged 48, graduated from Southwest Jiaotong University with a doctorate degree in bridge and tunnel engineering and is a professor of bridge engineering. He was an assistant engineer and project chief engineer of China Railway No. 4 Engineering Group Co., Ltd.* (中鐵四局集團有限公司), a lecturer, associate professor and professor of Southwest Jiaotong University. He is currently a professor of civil engineering, the deputy director of the bridge engineering department and the director of Infrastructure Planning and Campus Management Center of Southwest Jiaotong University, and an independent non-executive Director of the eighth session of the Board. On 4 January 2024, Mr. Zhang Qinghua tendered his resignation from his positions as an independent non-executive Director of the Company, the committee chairman of the Remuneration and Appraisal Committee under the Board, a member of the Strategic Committee under the Board and a member of the Audit Committee under the Board. The resignation of Mr. Zhang Qinghua shall be formally effective upon the appointment of a newly elected independent non-executive Director of the Company has become effective.

(II) Biographies of incumbent Supervisors for the Year are as follows:

Mr. Luo Maoquan, aged 58, graduated from the Faculty of Law of Sichuan University, majoring in law. He has successively served as the officer of the Policy Research Office of the SPDT, the deputy office chief, chief, head of the human resources division, member of the sub-group of party committee, deputy director, secretary of the sub-group of party committee, commander of the Sichuan Chengmian (Le) Expressway Construction Directorate, the director of Transportation Construction Company and Chengbei Company, the general manager of Chengya Branch, the director of Chengya Oil Company and an executive Director and the deputy general manager of the seventh session of the Board. He is currently the chairman of the eighth session of the Supervisory Committee.

Mr. Ling Xiyun, aged 59, graduated from the Department of Marine Transportation Management of Shanghai Maritime University with a bachelor's degree and is a senior accountant. He successively served as the deputy director (in charge) and director of Finance Department of Sichuan Chengnan Expressway Limited Liability Company* (四川成南高速公路有限責任公司), the manager of Finance Department of Sichuan Chengnan Expressway Limited Liability Company* (四川成南高速公路有限責任公司), the manager of Finance Department of Sichuan Chengnan Expressway Limited Liability Company* (四川成南高速公路有限責任公司) (the Centre Zone of Sichuan), the chief accountant of Sichuan Zhineng Transportation System Management Company Limited* (四川智能交通系統管理有限公司) and the deputy head of Financial Finance Assets Department, the deputy head (in charge) and the head of Asset Audit Department, the head of Audit and Legal Department and the office director of Internal Control & Audit Committee, the chief of Finance Management Department (Fund Management Centre), the office director of Finance and Financing Committee, the deputy chief accountant, the employee's representative supervisor, and the director of the finance sharing centre of STIG Group. He is currently the deputy chief accountant of Shudao Group and a Supervisor of the eighth session of the Supervisory Committee.

Mr. Wang Yao, aged 51, successively graduated from Faculty of Chinese Language of Sichuan University and the Law School of the Southwest University of Finance and Economics and obtained a master's degree. He successively served as the chief of Secretarial Division of Administrative Office, the deputy director and the director of Administrative Office, the manager of Human Resources Department of Sichuan Expressway Construction and Development, the head of Supervisor Works Department and the head of Internal Control and Legal Supervisor Works Department of STIG and the supervisor of Transportation Construction Company. He is currently the head of the Internal Control and Legal Affairs of Shudao Group, and a Supervisor of the eighth session of the Supervisory Committee.

Madam Gao Ying, aged 35, obtained a bachelor's degree. She has served as securities affairs manager of the office of secretary to the board of directors of North China Expressway Company Limited* (華北高速公路股份有限公司), and a Supervisor of the seventh session of the Supervisory Committee. She is currently the senior manager of the capital operation department (office of the board of directors) of China Merchants Expressway Network and Technology Holdings Co. Ltd., and the supervisor of Fujian Expressway Development Co., Ltd. (福建發展高速公路股份有限公司) and Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司) and a Supervisor of the eighth session of the Supervisory Committee.

Madam Li Tao, aged 52, successively graduated from Sichuan Normal University with a Bachelor of Arts degree and from Sichuan University of Economy and Trade with an MBA degree. She worked at Sixth Engineering Office of Sichuan Chuanjiao Bridge Engineering Company Limited (四川省川交橋樑工程有限責任公司). She successively served as the deputy secretary and secretary of Youth League Committee, and the director of the Party Committee Office, the General Manager's Office and the General Office (Publicity Center) of the Company. She currently serves as a supervisor of Chengle Company, an employee's representative Supervisor of the eighth session of the Supervisory committee and the chairman of the labour union of the Company.

Madam Lu Xiaoyan, aged 51, graduated from Chongqing Jiaotong College (now renamed as Chongqing Jiaotong University), majoring in highway and urban road engineering. She is a senior engineer and registered consulting engineer (investment). She worked in the Chengyu Expressway Management Office, the Longquan Mechanized Maintenance Office and the Investment Department of the Company. She has successively served as the deputy head of the Investment Department, the head of the Investment and Development Department, the head of the Investment and Development (Research Centre) of the Company and a director of Sichuan Zhonglu Energy Company Limited. She currently serves as an employee's representative Supervisor of the eighth session of the Supervisory Committee, and a supervisor of Shudao Chengyu Investment Company Limited (formerly known as "Chengdu Shuhai Investment Management Company Limited").

(III) Biographies of other incumbent senior management for the Year are as follows:

Mr. Li Wenhu, please refer to the biographies of Directors.

Madam Li Tao, please refer to the biographies of Supervisors.

Mr. Yao Jiancheng, aged 44, holds a master's degree in Economics of Southwestern University of Finance and Economics. He once served as the manager of Operation & Investment Department of Sichuan Trading Industrial Co., Ltd. (四川交投實業有限公司), the general manager of Sichuan Transportation Investment Shujiang Investment Company (四川交投蜀江投資公司), the general secretary of the Party branch of Sichuan Jiaotou New Energy Co., Ltd. (四川交投新能源有限公司), the deputy head of Capital Operation Department and the deputy head of Investment Development Department of Sichuan Transportation Investment Group Corporation Limited (四川省交通投資集團有限責任公司), a director and the deputy general manager of Sichuan Transportation Investment Innovation Development Co., Ltd. (四川交投創新投資發展有限公司), the deputy head of Investment Development Department and the deputy head of Capital Operation Department of Shudao Investment Group Co., Ltd. (蜀道投資集團有限責任公司). He currently serves as a member of the Party Committee and the secretary to the Board.

Mr. Guo Renrong, aged 51, holds a master's degree in engineering in software engineering of Beijing Institute of Technology and is a senior accountant. He was the deputy director of Financial Department of Northern Sichuan Expressway Co., Ltd., the manager of the Financial Division of Sichuan Guangba Expressway Co., Ltd. (四川廣巴高速公路有限責任公司), the deputy director of Financial Management Department (fund management center) of STIG, the deputy secretary of the Party Committee, the deputy general manager (in charge of daily work) of Sichuan Transportation Investment Industrial & Financial Company Limited (四川交投產融控股有限公司) and the chairman, and the legal representative of Shenyinwanguo Transportation Investment Industrial & Financial In-vestment Management Company Limited (申銀萬國交投產融投資管理公司), the chairman of the Risk Control Committee of Zhongxin Company, the director of Chengyu Financial Leasing Company and the director of CSI SCE. He is currently the chairman of the third session of the Supervisory Committee and the director of the third session of the Financial Controller Committee of the Sichuan Listed Company Association, a service expert in the capital market in Sichuan, an executive member of the eighth session of the council of the Accounting Society of Sichuan Province and the financial controller of the Company.

Mr. Heibilayi, aged 38, graduated from Southwest University of Finance and Economics majoring in law and obtained a bachelor's degree in law. He worked in Chengdu Branch of Pudong Development Bank and served as assistant to the president of Kehua Branch of Pudong Development Bank, the assistant to the president, acting president and the president of Tianfu Branch of Pudong Development Bank and a member of Standing Committee and the vice head of Yuechi County. He is currently the deputy general manager of the Company.

Mr. Peng Chi, aged 54, holds a master's degree and is a senior engineer. He has served as the secretary of the cement road office of the Transportation Bureau of Longchang County of Sichuan Province, head of Road Section of Chengyu Expressway Longchang Management Section of Sichuan Expressway Administration Bureau, the deputy director of the fund management center of the Company, the chief of the Division three of the mechanical maintenance and the secretary of the Party Committee of the Company, the deputy general manager of Sichuan Shugong Expressway Engineering Company Limited, the director of Neijiang Management Department of the Company, the standing deputy commander of the expansion construction department of Chengle Expressway, the general manager of Chengya Branch of the Company. He is currently the deputy general manager of the Company.

Mr. Liu Dong, aged 51, graduated from Tongji University majoring in Highway and Urban Road and is a senior engineer. He has successively served as the deputy director, the chief engineer and the director of the engineering division of Reconstruction Headquarters of Langmushi Temple to Chuanzhushi Temple Highway of National Highway 213, the director, the deputy chief engineer and the deputy general manager of Engineering Division of Chengren Branch of the Company, the deputy general manager of Suiguang Suixi Expressway Company Limited and Chengle Expressway. He is currently the chief engineer of the Company.

Mr. Chen Yangbo, aged 45, successively graduated from the Southwest University of Political Science & Law, the Party School of Sichuan Provincial Committee of the Chinese Communist Party, and is a graduate student in law and a senior policy officer. He has served as the chairman and legal representative of Sichuan Zitong Expressway Co., Ltd., the secretary to the Party Committee, the chairman and the legal representative of Sichuan Zitong Expressway Co., Ltd., and the chairman and the legal representative of Sichuan Lezitong Expressway Co., Ltd. He currently serves as a member of the Party Committee and the secretary of Discipline Inspection Commission of the Company.

(IV) Biographies of directors, supervisors or other senior officers who resign or retire for the Year are as follows:

Mr. Gan Yongyi, aged 60, graduated from Chongqing Jiaotong College with a bachelor's degree in civil engineering of road and bridge transportation from Sichuan University with a master's degree in management and engineering. He is a first-class architect and a professor-level senior engineer. He once worked in Division I and Division VI of Sichuan Bridge Engineering Company Limited (四川省橋樑工程公司) as the deputy chief and chief of Division VI as well as the deputy manager of Sichuan Bridge Engineering Company Limited. He also served as the manager of the Bridge Branch of Sichuan Road & Bridge Group (四川路橋集團橋樑分公司), the deputy general manager of Sichuan Road & Bridge Co., Ltd., and the deputy general manager, the deputy chairman and the general manager of the Company. On 20 October 2023, Mr. Gan resigned as the vice chairman of Airport Expressway Company, an executive Director, the chairman and the legal representative of the eighth session of the Board.

Madam Xue Min, aged 44, holds a master's degree. She successively served as a senior expert in government affairs of Alibaba Group, the deputy general manager in charge of Mainland China Business Development of MTR Corporation Limited, and the deputy general manager of the Strategic Development Department of China Merchants Expressway Network Technology Holdings Co., Ltd., the secretary to the Party branch of Tibet China Merchants Construction Electronic Information Co., Ltd.* (西藏招商交建電子信息有限公司), a director of Beijing Sutong Technology Co., Ltd.* (北京速通科技有限公司), etc.. On 28 August 2023, she resigned as an executive Director of the eighth session of the Board.

IV. EMPLOYEES

As at 31 December 2023, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,229
Number of in-service employees of major subsidiaries	2,439
Total number of in-service employees	4,668
Number of retired or resigned employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	None

Composition by Expertise

Type of Expertise	Number of people
Production	3,307
Sales	0
Technical	673
Financial	137
Administrative	551
Total	4,668

Educational Level

Type of Education Level	Number of people
Postgraduate	241
University graduate	1,788
Junior college graduate	1,841
Technical secondary school and below	798
Total	4,668

1. *Employees' Remuneration*

The total remuneration of the Company's employees is correlated with the operating results of the Company. Employees' salaries are determined based on their positions and performance. For the year ended 31 December 2023, the employees' salary of the Group totalled approximately RMB703,179,000 of which approximately RMB359,778,000 was for the employees of the Company (including its branches).

2. *Employees' Insurance and Welfare*

The Company cherishes employees and protects their lawful interests, has improved various types of social insurance for employees in strict compliance with all applicable PRC labor security policies. Expenses for various types of social insurances for retirement, healthcare (including maternity insurance), unemployment, work related in-jury, supplementary critical illness mutual insurance, supplementary pension insurance, supplementary medical insurance, employer liability insurance have been paid in full by the Company for the employees. Meanwhile, the Company has made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

3. *Staff Training*

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard of its staff. During the Reporting Period, the Company had organised various centralized and specific trainings such as job-specific skills for technicians and continuing education for professional technical staff. A total of 28,659 attendances of the Company's employees (including its branches) was recorded for the above training courses.

REPORT OF THE SUPERVISORY COMMITTEE

During the Reporting Period, all members of the Supervisory Committee have strictly complied with the requirements of the Company Law of the People's Republic of China, the Listing Rules on the SSE and the Stock Exchange, the Articles of Association and the Rules of Procedure of the Supervisory Committee. Based on the principle of good faith, they performed their duties prudently and actively with an aim to safeguard the interest of the Shareholders, the Company and the employees.

I. WORK OF THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee held 7 meetings in total. The notices, convening, holding and resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles of Association. Details of the meetings are as follows:

Meeting of the Supervisory Committee	Meeting Date	Topics
The third meeting of the eighth session of the Supervisory Committee	17 February 2023	1. Resolution in relation to the acquisition of 100% equity interest in Rongcheng Second Ring Company
The fourth meeting of the eighth session of the Supervisory Committee	30 March 2023	1. Resolution in relation to work report of the Supervisory Committee of the Company for the year 2022
		2. Resolution in relation to the Scheme of Profit Distribution and Dividend Payment for 2022
		3. Resolution in relation to the 2022 annual financial budget implementation report

Meeting of the Supervisory Committee	Meeting Date	Topics
		4. Resolution in relation to the 2022 domestic and overseas annual reports and their summaries
		5. Resolution in relation to the 2022 Internal Control Evaluation Report
		6. Resolution in relation to the 2022 Internal Control Audit Report
		7. Resolution in relation to the 2022 Environmental, Social and Governance Report
		8. Resolution in relation to the 2023 Annual Financial Budget
		9. Resolution in relation to the re-appointment of Shinewing Certified Public Accountants as the domestic auditor of the Company for the year 2023
		10. Resolution in relation to the re-appointment of Ernst & Young Certified Public Accountants as the overseas auditor of the Company for the year 2023
		11. Resolution in relation to change of accounting policy
The fifth meeting of the eighth session of the Supervisory Committee	27 April 2023	1. Resolution in relation to the 2023 First Quarterly Report

Meeting of the Supervisory Committee	Meeting Date	Topics
The sixth meeting of the eighth session of the Supervisory Committee	8 June 2023	1. Resolution in relation to the amendments to the Articles of Association 2. Resolution in relation to the review on the Interim Working Rules for Financial Verification of Assets Impairment Provision 3. Resolution in relation to the review on the Interim Measures for the Assets Management (Trial)
The seventh meeting of the eighth session of the Supervisory Committee	29 August 2023	1. Resolution in relation to the unaudited financial report for the six months ended 30 June 2023 and 2023 interim report and its summary 2. Resolution in relation to not distributing any interim dividend and not transferring capital reserve into share capital in 2023
The eighth meeting of the eighth session of the Supervisory Committee	26 October 2023	1. Resolution in relation to the 2023 Third Quarterly Report
The ninth meeting of the eighth session of the Supervisory Committee	12 December 2023	1. Resolution in relation to the signing of the Framework Agreement for Construction Works and Related Services Connected Transaction between the Company and Shudao Investment 2. Resolution in relation to the signing of Sale and Purchase of Refined Oil Product Connected Transaction Framework Agreement between the Group and PetroChina Sichuan

During the Reporting Period, the members of the Supervisory Committee jointly implemented the function of supervision over the Company, actively cared for the Company's businesses and cautiously and diligently executed their respective responsibilities on the basis of guaranteeing the overall profits of the Company and safeguarding the interests of Shareholders, the Company and employees in an honest and kind manner.

In 2023, the attendance of the meetings of the Supervisory Committee and general meetings by the Supervisors is as follows:

Name of Supervisor	Attendance of meetings of the Supervisory Committee					Attendance of general meetings
	Required attendance in the meetings of the Supervisory Committee during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Number of attendance/ required attendance in the meetings	Number of attendance/ number of meeting
Luo Maoquan	7	7	0	0	7/7	4/4
Ling Xiyun	7	7	0	0	7/7	4/4
Wang Yao	7	7	0	0	7/7	4/4
Gao Ying	7	7	4	0	7/7	4/4
Li Tao	7	7	0	0	7/7	4/4
Lu Xiaoyan	7	7	0	0	7/7	4/4

Number of meetings of the Supervisory Committee held during the Year		7
Of which:	Number of physical meetings	3
	Number of meetings held via communications	0
	Number of meetings held by way of combination of both	4

During the Reporting Period, all Supervisors of the Company have attended the meetings of the Supervisory Committee with due care and diligence, and offered professional suggestions and independent judgments in respect of the reviewed issues being discussed at the meetings by virtue of their expertise and experience.

II. INDEPENDENT OPINIONS FROM THE SUPERVISORY COMMITTEE ON COMPLIANCE OF THE COMPANY'S OPERATIONS WITH LEGAL REQUIREMENTS

During the Reporting Period, the Supervisors of the Company attended all general meetings and Board meetings as observers and cautiously supervised and checked the convening procedures of the meetings, resolutions and execution of the written resolutions of aforesaid meetings, and effectively supervised the whole process of the Directors and senior management members' operation and management and the implementation of the Company's decisions.

The Supervisory Committee is of the opinion that the Company conducted its operations and made decisions strictly in accordance with relevant rules and regulations, continuously improved its internal control system and further enhanced its corporate governance. The Directors and senior management of the Company are able to perform their own duties and execute the resolutions and authorizations of the general meetings in compliance with relevant laws and regulations and with the attitude of fidelity and due diligence and from the perspective of safeguarding the interests of the Company and Shareholders as a whole, with no breach of laws and regulations, or conducts of misusing authority or damaging the interests of the Company, its Shareholders and employees.

III. INDEPENDENT OPINIONS FROM THE SUPERVISORY COMMITTEE ON THE COMPANY'S FINANCIAL POSITION

Having cautiously reviewed the Company's 2023 First Quarterly Results Report, 2023 Interim Results Report, 2023 Third Quarterly Results Reports, 2022 Annual Results Report and other accounting information, etc, the Supervisory Committee is of the opinion that the Company's financial income and expenditure accounts are clear and the accounting, auditing and financial management are all in line with relevant regulations without doubts. The Company's PRC and international auditors, Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young Certified Public Accountants, have respectively audited the 2023 Annual Financial Reports of the Company under the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, and have issued audit reports with standard unreserved opinions. The Supervisory Committee is of the view that the audit reports have reflected the actual situations of the Company's financial income and expenditure, operating results and cash flows.

IV. OPINIONS FROM THE SUPERVISORY COMMITTEE ON THE BOARD'S SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

In order to implement the "Basic Rules for Internal Control of Enterprises" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the fundamental guidelines for corporate internal control, the Company fully and practically launched the construction of corporate internal control system since the second half of 2010. During the Reporting Period, all internal control tasks were carried out as scheduled and the internal control system of the Company was further improved. Through making self-assessment of the effectiveness of the design and implementation of the Company's internal control as at 31 December 2023, the Board had issued the 2023 Assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2023 Assessment Report on Internal Control issued by the Board, and considered that the report comprehensively and objectively reflected the establishment and operation of the Company's internal control system. The Company has established a relatively comprehensive internal control system and is continuously optimizing and enhancing it, and has kept the standard operation of the Company under good supervision and guidance.

V. INDEPENDENT OPINIONS FROM THE SUPERVISORY COMMITTEE ON THE COMPANY'S CONNECTED TRANSACTIONS

Save for the connected transactions disclosed in Note 38 to the financial statements, the Company had no other connected transactions during the Reporting Period. In the opinion of the Supervisory Committee, the Company's connected transactions during the Reporting Period were conducted on a just, fair and open basis and at reasonable considerations, and no circumstances were discovered in which insider transactions were involved or the Board breached the principle of good faith in decision-making, execution of agreements or information disclosure, etc.

The Supervisory Committee will continue to abide by its prudent and diligent practice, conscientiously implement the duties of the Supervisory Committee and protect the legal interests of Shareholders.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of Sichuan Expressway Company Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Sichuan Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 117 to 236, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements* section of our report, including 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 consolidated 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 consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2023, the Group had trade receivables before impairment aggregating to approximately RMB1,870,018,000, which was material to the Group's consolidated financial statements. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including the credit profile of different customers, ageing, historical settlement records of trade receivables, subsequent settlement status, the expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses ("ECL") for the impairment assessment. Management has performed ECL analysis and concluded that an ECL allowance of RMB3,678,000 should be required as at 31 December 2023. The accounting policies and disclosures about the impairment assessment for trade receivables are included in notes 2.4, 3, 21 and 35 to the financial statements.	Our audit procedures to assess the impairment of trade receivables included the following: • We assessed and tested the design and operating effectiveness of the internal controls over the credit approval and monitoring process and impairment assessments, including the ECL model; • We obtained corroborative evidence including correspondence indicating any disputes between the parties involved and attempts by management to recover the amounts outstanding, and reports on the credit status of significant counterparties where available; • We assessed the ECL provisioning methodology, examined the key data inputs on a sample basis to assess their accuracy and completeness, and assessed the assumptions, including both historical and forward-looking information used to determine the expected credit losses, analysed the customers' historical payment patterns and checked bank receipts for the payments received subsequent to the year end; and • We assessed the disclosures regarding the impairment provision for trade receivables and the Group's exposure to credit risk in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Amortisation of service concession arrangements	
Amortisation of service concession arrangements is calculated under the unit-of-usage method, 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 estimation, including the expected gross domestic product ("GDP") growth rate and the impact of other road networks within the same area. The accounting policies and disclosures about the assessment on the amortisation of service concession arrangements are included in notes 2.4, 3 and 13 to the financial statements.	Our audit procedures included the following: • We interviewed the Group's senior management and obtained an understanding of their process associated with the review of the projected traffic volume against actual traffic volume; • We evaluated the estimated projected total traffic volume of the Group's expressways under service concession arrangements by focusing our analysis on management's key assumptions used in the estimates of the projected total traffic volume such as the GDP growth rate, the impact of other road networks within the same area and historical accuracy of management's estimates; • We considered whether the amortisation methodology adopted by the Group represented the expected pattern of the consumption of the future economic benefits of the service concession arrangements; • We validated the accuracy of the data on traffic volume employed by the management in calculating the amortisation of service concession arrangements and recalculated the amortisation of the service concession arrangements; and • We assessed related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Company's Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 this other information, we are required to report that fact.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group'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 directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated 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.

- 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Group's ability 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 consolidated 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 the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Hsu Lung Wu.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2024

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
REVENUE	4, 5	**11,580,867**	10,419,377
Cost of sales		**(8,731,743)**	(8,434,328)
Gross profit		**2,849,124**	1,985,049
Other income and gains	5	**252,866**	402,612
Administrative expenses		**(608,255)**	(391,985)
Other expenses		**(32,741)**	(70,218)
Finance costs	6	**(937,869)**	(1,030,568)
Share of profits and losses of:			
Joint ventures	15	**7,523**	8,880
Associates	16	**38,660**	23,271
PROFIT BEFORE TAX	7	**1,569,308**	927,041
Income tax expense	9	**(302,540)**	(247,880)
PROFIT FOR THE YEAR		**1,266,768**	679,161
Attributable to:			
Owners of the Company		**1,190,814**	626,897
Non-controlling interests		**75,954**	52,264
		1,266,768	679,161
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**(5,464)**	13,373
Income tax effect		**1,095**	(1,601)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(4,369)**	11,772
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,262,399**	690,933

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Attributable to:			
Owners of the Company		**1,186,499**	639,135
Non-controlling interests		**75,900**	51,798
		1,262,399	690,933
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	11	**RMB0.389**	RMB0.205

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**991,823**	840,044
Service concession arrangements	13	**49,645,595**	46,332,783
Right-of-use assets	14(a)	**278,395**	317,762
Goodwill		**–**	7,583
Investments in joint ventures	15	**27,287**	128,796
Investments in associates	16	**474,101**	472,804
Equity investments designated at fair value through other comprehensive income	17	**87,769**	93,233
Financial assets at fair value through profit or loss	22	**34,017**	28,777
Trade and other receivables	21	**1,539,212**	–
Payments in advance	18	**1,331,346**	426,785
Deferred tax assets	19	**112,259**	109,574
Due from the ultimate holding company	32	**–**	2,200,000
Restricted deposits	23	**128**	112
Total non-current assets		**54,521,932**	50,958,253
CURRENT ASSETS			
Inventories	20	**119,821**	30,076
Trade and other receivables	21	**1,015,838**	2,536,192
Due from the ultimate holding company	32	**–**	86,278
Financial assets at fair value through profit or loss	22	**366**	365
Cash and cash equivalents	23	**1,982,830**	2,587,976
Total current assets		**3,118,855**	5,240,887

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CURRENT LIABILITIES			
Tax payable		**91,211**	144,957
Trade and other payables	25	**2,819,312**	2,097,633
Contract liabilities	24	**19,569**	9,136
Due to the ultimate holding company	32	**–**	103,877
Interest-bearing bank and other borrowings	26	**3,387,660**	2,365,977
Total current liabilities		**6,317,752**	4,721,580
NET CURRENT (LIABILITIES)/ASSETS		**(3,198,897)**	519,307
TOTAL ASSETS LESS CURRENT LIABILITIES		**51,323,035**	51,477,560
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**34,393,017**	29,587,662
Deferred tax liabilities	19	**2,245**	1,319
Deferred income		**254,492**	277,792
Total non-current liabilities		**34,649,754**	29,866,773
Net assets		**16,673,281**	21,610,787
EQUITY			
Equity attributable to owners of the company			
Issued capital	27	**3,058,060**	3,058,060
Reserves	28	**12,615,258**	17,637,565
		15,673,318	20,695,625
Non-controlling interests		**999,963**	915,162
Total equity		**16,673,281**	21,610,787

You Zhiming
Director

Ma Yonghan
Director

For the year ended 31 December 2023

	Attributable to owners of the Company												
	Issued capital *RMB'000* *(note 27)*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* *(note 28(a))*	Difference arising from changes in non-controlling interests *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000*	General risk reserve *RMB'000* *(note 28(d))*	Merger difference *RMB'000* *(note 28(b))*	Safety fund reserve *RMB'000* *(note 28(c))*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2022	3,058,060	2,654,601	6,851,280	(254,570)	(9,915)	7,421	(533,123)	16,869	1,127,725	4,887,319	17,805,667	914,952	18,720,619
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	-	-	-	-	-	-	-	-	-	2,216	2,216	210	2,426
Effect of business combination under common control *(note 2.1)*	-	-	-	-	-	-	4,680,230	-	-	(1,792,488)	2,887,742	-	2,887,742
At 1 January 2023 (restated)	3,058,060	2,654,601	6,851,280	(254,570)	(9,915)	7,421	4,147,107	16,869	1,127,725	3,097,047	20,695,625	915,162	21,610,787
Profit for the year	-	-	-	-	-	-	-	-	-	1,190,814	1,190,814	75,954	1,266,768
Other comprehensive income for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(4,315)	-	-	-	-	-	(4,315)	(54)	(4,369)
Total comprehensive income for the year	-	-	-	-	(4,315)	-	-	-	-	1,190,814	1,186,499	75,900	1,262,399
Transfer to/(from) reserves	-	-	170,795	-	-	-	-	-	-	(170,795)	-	-	-
Establishment for safety fund reserve	-	-	-	-	-	-	-	9,575	-	(9,575)	-	-	-
Establishment for general risk reserve	-	-	-	-	-	(7,421)	-	-	-	7,421	-	-	-
Utilisation of safety fund reserve	-	-	-	-	-	-	-	(4,078)	-	4,078	-	-	-
Effect of business combination under common control *(note 29)*	-	-	-	-	-	-	(5,903,000)	-	-	-	(5,903,000)	-	(5,903,000)
Capital injection by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	79,200	79,200
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(70,299)	(70,299)
Final 2022 dividend declared *(note 10)*	-	-	-	-	-	-	-	-	-	(305,806)	(305,806)	-	(305,806)
At 31 December 2023	3,058,060	2,654,601*	7,022,075*	(254,570)*	(14,230)*	-*	(1,755,893)*	22,366*	1,127,725*	3,813,184*	15,673,318	999,963	16,673,281

* These reserve accounts comprise the consolidated reserves of RMB12,615,258,000 (2022 (restated): RMB17,637,565,000) in the consolidated statement of financial position.

For the year ended 31 December 2022

	Attributable to owners of the Company												
	Issued capital RMB'000 (note 27)	Share premium account RMB'000	Statutory surplus reserve RMB'000 (note 28(a))	Difference arising from changes in non-controlling interests RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	General risk reserve RMB'000 (note 28(d))	Merger difference RMB'000 (note 28(b))	Safety fund reserve RMB'000 (note 28(c))	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021	3,058,060	2,654,601	6,392,913	(254,570)	194,920	49,969	(533,123)	14,206	1,127,725	4,660,294	17,364,995	1,083,466	18,448,461
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	–	–	–	–	–	–	–	–	–	1,642	1,642	–	1,642
Effect of business combination under common control *(note 2.1)*	–	–	–	–	–	–	4,680,230	–	–	(1,653,990)	3,026,240	–	3,026,240
At 1 January 2022 (restated)	3,058,060	2,654,601	6,392,913	(254,570)	194,920	49,969	4,147,107	14,206	1,127,725	3,007,946	20,392,877	1,083,466	21,476,343
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	626,897	626,897	52,264	679,161
Other comprehensive income for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	12,238	–	–	–	–	–	12,238	(466)	11,772
Total comprehensive income for the year (restated)	–	–	–	–	12,238	–	–	–	–	626,897	639,135	51,798	690,933
Transfer to/(from) reserves	–	–	479,915	–	–	–	–	–	–	(479,915)	–	–	–
Establishment for safety fund reserve	–	–	–	–	–	–	–	4,791	–	(4,791)	–	–	–
Establishment for general risk reserve	–	–	–	–	–	(42,548)	–	–	–	42,548	–	–	–
Utilisation of safety fund reserve	–	–	–	–	–	–	–	(2,128)	–	2,128	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	36,200	36,200
Transfer of fair value reserve upon the disposal of equity investments designed at fair value through other comprehensive income	–	–	–	–	(217,073)	–	–	–	–	217,073	–	–	–
Disposal of a subsidiary	–	–	(21,548)	–	–	–	–	–	–	21,548	–	(191,050)	(191,050)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(65,252)	(65,252)
Final 2021 dividend declared	–	–	–	–	–	–	–	–	–	(336,387)	(336,387)	–	(336,387)
At 31 December 2022 (restated)	3,058,060	2,654,601*	6,851,280*	(254,570)*	(9,915)*	7,421*	4,147,107*	16,869*	1,127,725*	3,097,047*	20,695,625	915,162	21,610,787

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit before tax		**1,569,308**	927,041
Adjustments for:			
Finance costs	6	**937,869**	1,030,568
Share of profits and losses of joint ventures and associates	5	**(46,183)**	(32,151)
Fair value gain on derivative financial instruments	5	**–**	(3,448)
Fair value (gain)/loss on financial assets at fair value through profit or loss	5,7	**(5,241)**	213
Gain on disposal of financial assets at fair value through profit or loss	5	**–**	(22)
Depreciation of property, plant and equipment	12	**127,471**	119,345
Depreciation of right-of-use assets	14	**61,081**	64,634
Amortisation of service concession arrangements	13	**1,127,157**	1,038,727
Foreign exchange losses, net		**1,790**	9,434
Impairment loss on financial assets included in other receivables	7	**–**	37,303
Reversal of impairment loss on trade receivables	5	**(33,923)**	(13,645)
Impairment loss on goodwill	7	**7,583**	–
Loss on disposal of items of property, plant and equipment, net	7	**7,561**	5,219
Gain on liquidation of an associate	5	**(7,001)**	–
Gain on disposal of right-of-use assets	5	**(144)**	–
Interest income	5	**(93,213)**	(174,112)
Loss on deemed disposal of investments in an associate	7	**1,662**	–
Gain on disposal of a subsidiary		**–**	(10,660)
Dividend income from equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss	5	**(7,639)**	(7,143)
Fair value gain on a previously held equity interest at the date of business combination	5	**–**	(3,641)
		3,648,138	2,987,662
Additions to service concession arrangements		**(3,993,702)**	(4,083,039)
Decrease in loans to customers		**–**	235,483
(Increase)/decrease in restricted deposits		**(16)**	2,254
(Increase)/decrease in non-current payments in advances		**(860,362)**	124,195
Decrease in deferred income		**(23,464)**	(38,603)
Increase in trade and other receivables		**(205,388)**	(238,377)
(Increase)/decrease in inventories		**(89,745)**	32,993
Increase in contract liabilities		**10,433**	9,136
Increase/(decrease) in trade and other payables		**603,228**	(245,307)
Decrease in amounts due to the ultimate holding company		**(152)**	–
Cash used in operations		**(911,030)**	(1,213,603)
Income tax paid		**(364,797)**	(288,838)
Net cash flows used in operating activities		**(1,275,827)**	(1,502,441)

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(204,946)**	(161,869)
Proceeds from disposal of items of property, plant and equipment		**557**	1,111
Interest received		**91,464**	168,571
Dividend received from associates		**14,759**	48,061
Dividend received from a joint venture	15	**9,032**	10,893
Withdrawal from investment in a joint venture	15	**100,000**	–
Dividend received from equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss	5	**7,639**	7,143
Collection of loans to the ultimate holding company	32(j)	**2,200,000**	–
Collection of funds under centralised management		**82,819**	278,849
Loans granted to a related party	32(j)	**–**	(450,000)
Collection of loans to a related party	32(j)	**250,000**	200,000
Increase in time deposits		**(71,226)**	(183,799)
Acquisition of a subsidiary		**–**	(3,554)
Disposal of a subsidiary		**–**	98,411
Investments in financial assets at fair value through profit or loss		**–**	(28,938)
Receipt of government grants related to assets		**–**	5,668
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	8,209
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**–**	369,195
Net cash flows from investing activities		**2,480,098**	367,951
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest paid		**(1,361,958)**	(1,276,111)
Proceeds from bank loans		**8,519,402**	3,443,018
Repayment of bank loans		**(2,217,949)**	(2,072,594)
Proceeds from other borrowings		**–**	202,500
Repayment of other borrowings		**(481,894)**	(270,868)
Proceeds from super short-term commercial papers		**1,200,000**	–
Repayment of super short-term commercial papers		**(1,200,000)**	–
Principal portion of lease payments		**(32,824)**	(29,878)
Business combination under common control	29	**(5,903,000)**	–
Payment of guarantee fees		**(103,725)**	–
Dividends paid to owners of the Company		**(307,589)**	(336,387)
Capital injection by non-controlling shareholders		**79,200**	36,200
Dividends paid to non-controlling shareholders		**(70,299)**	(59,051)
Net cash flows used in financing activities		**(1,880,636)**	(363,171)

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(676,365)**	(1,497,661)
Cash and cash equivalents at beginning of year		**2,404,177**	3,901,834
Effect of foreign exchange rate changes, net		**(7)**	4
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,727,805**	2,404,177
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,707,805**	2,404,177
Non-pledged time deposits with original maturity of less than three months when acquired		**20,000**	–
Non-pledged time deposits with original maturity of more than three months when acquired		**255,025**	183,799
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**1,982,830**	2,587,976

1. CORPORATE AND GROUP INFORMATION

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

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

- investment holding;
- construction, management and operation of expressways and a high-grade toll bridge;
- construction and operation of gas stations along expressways; and
- provision of charging services for electric vehicles.

In the opinion of the directors, Shudao Investment Group Company Limited ("Shudao Investment") is the parent and the ultimate holding company of the Company, which is established in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Nominal value of issued/ registered capital RMB'000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sichuan Chengle Expressway Company Limited ("Chengle Company")	560,790	100	–	Construction and operation of Chengle Expressway
Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company")	220,000	60	–	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Sichuan Shudao Chengyu Investment Co., Ltd ("Shudao Chengyu Investment")	152,773	100	–	Investment holding
Sichuan Shuxia Industrial Company Limited ("Shuxia")	200,000	100	–	Service area operation
Sichuan Shunan Investment Management Company Limited	200,000	100	–	Construction project management and construction of roads

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sichuan Suiguang-Suixi Expressway Company Limited	3,573,380	100	–	Construction and operation of Suiguang Expressway and Suixi Expressway
Sichuan Chengqiongya Expressway Company Limited	1,150,000	82	–	Construction and operation of Tianqiong Expressway
Sichuan Chengya Expressway Oil Supply Company Limited	27,200	51	–	Management of gas stations along expressways
Chengyu Logistics Company Limited	50,000	–	100	Logistics service
Sichuan Zhonglu Energy Company Limited	52,000	51	–	Management of gas stations along expressways
Chengdu Shuhong Property Company Limited	100,000	100	–	Construction project management
Renshou Shunan Investment Management Company Limited	100,000	–	100	Construction project management
Ziyang Shunan Chengxing Project Construction & Management Company Limited	157,600	–	94.99	Construction project management
Lushan County Shuhan Engineering Construction Management Company Limited ("Lushan Shuhan")	20,000	–	94.99	Construction project management
Lushan County Shunan Engineering Construction Project Management Company Limited ("Lushan Shunan")	74,000	–	89.99	Construction project management

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Sichuan Chengyu Xingshu Supply Chain Management Co., Ltd	200,000	–	51	Logistics trade business
Sichuan Multimodal United Transportation Investment and Development Co., Ltd. ("Multimodal United Transportation Company")	1,000,000	51	–	Logistics trade business
Sichuan Shudao New Energy Technology Development Co., Ltd ("Shudao New Energy Technology")	480,000	100	–	New energy service
Sichuan Rongcheng Second Ring Expressway Development Co., Ltd ("Rongcheng Second Ring Company")*	684,210	100*	–	Construction and operation of Second Ring Western Expressway

* During the year, the Group acquired an aggregate of 100% equity interest in Rongcheng Second Ring Company from Sichuan Shudao Expressway Group Co., Ltd. ("Shudao Expressway") and Sichuan Road & Bridge (Group) Corporation Ltd. ("SRB Group"). Further details of this acquisition are included in notes 2.1 and 29 to the financial statements.

All the above subsidiaries are registered as domestic enterprises with limited liability under PRC law and all of them operate in Chinese Mainland.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 and certain equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As disclosed in note 29 to the financial statements, a business combination under common control was effected during the current year, where the business acquired in the business combination and the Company are both controlled by Shudao Investment, the ultimate holding company of the Company.

To consistently apply the Group's accounting policy for common control business combinations, the acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA as if the acquisition had occurred when Rongcheng Second Ring Company established by the ultimate holding company. Accordingly, the assets and liabilities acquired in the common control business combination have been stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entity first came under the control of Shudao Investment or the relevant transactions giving rise to the assets or liabilities arose. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the acquisition by the Group.

Accordingly, the comparative figures of the consolidated financial statements have been restated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investments retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern basis

The Group had net current liabilities of RMB3,198,897,000 as at 31 December 2023 (31 December 2022 (restated): net current assets of RMB519,307,000). In view of the net current liabilities position, the board of directors has 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.

Having considered the unutilised banking facilities, registered medium-term notes and cash flow projections for the year ending 31 December 2024, the directors are satisfied that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Impact on the consolidated statements of financial position:

	Increase/(decrease)		
	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Deferred tax assets *(Note)*	**1,935**	2,470	1,233
Total non-current assets	**1,935**	2,470	1,233
Total assets	**1,935**	2,470	1,233
Liabilities			
Deferred tax liabilities *(Note)*	**559**	44	(409)
Total non-current liabilities	**559**	44	(409)
Total liabilities	**559**	44	(409)
Net assets	**1,376**	2,426	1,642
Equity			
Retained profits (included in reserves)	**1,518**	2,216	1,642
Equity attributable to owners of the Company	**1,518**	2,216	1,642
Non-controlling interests	**(142)**	210	–
Total equity	**1,376**	2,426	1,642

Note: The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Impact on the consolidated statements of profit or loss

	Increase/(decrease) For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Income tax expense	**1,050**	(784)
Profit for the year	**(1,050)**	784
Attributable to:		
Owners of the Company	**(698)**	574
Non-controlling interests	**(352)**	210
	(1,050)	784
Total comprehensive income for the year	**(1,050)**	784
Attributable to:		
Owners of the Company	**(698)**	574
Non-controlling interests	**(352)**	210
	(1,050)	784

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the Company, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

(i) Business combinations not under common control

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

(i) Business combinations not under common control (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

(ii) Business combinations under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter year, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous financial year end or when they first came under common control, whichever is shorter.

Transaction costs incurred in relation to the common control combination that is to be accounted for by using the merger accounting are recognised as expenses in the year in which they are incurred.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss at the end of each reporting period. 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 transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. 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 are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities 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 (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarter building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	8 years
Buildings	15 – 30 years
Machinery and equipment	5 – 10 years
Motor vehicles	8 years
Leasehold improvements	3–10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements

Service concession arrangements represent the rights to charge users of the public service that the Group obtained under the service concession arrangements. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures such as repairs and maintenance are charged to profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

Amortisation of service concession arrangements, other than gas stations, is provided on a unit-of-usage basis to write off the costs of these arrangements, 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 arrangements.

Amortisation of gas stations that are recognised as part of the underlying infrastructure of the service concession arrangements is provided on the straight-line basis to write off the costs of gas stations over the periods for which the Group is granted the rights to charge users under the service concession arrangements.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective service concession arrangements. 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.

Costs incurred during the period of construction of underlying assets of a service concession arrangement are recorded in the service concession arrangement and will be amortised upon the commencement of operation of the service concession arrangement.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (continued)

Particulars of the expressways managed and operated by the Group as at 31 December 2023 are as follows:

	Origin/destination	Approximate length (km)	Date of commencement of operations of the entire toll expressway
Chengyu Expressway	Chengdu/Shangjiapo	226	7 October 1997
Chengya Expressway	Chengdu/Duiyan	144	1 January 2000
Chengren Expressway	Jiangjia/Zhichanggou	107	18 September 2012
Chengle Expressway	Qinglongchang/Guliba	86	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10	21 December 1998
Suiguang Expressway	Jinqiao interchange/Hongtudi interchange	103	9 October 2016
Suixi Expressway	Jixiang Town/Taiping Town, Xichong County	68	9 October 2016
Second Ring (Western) Expressway	Shuangliu County/Mengyang County	114	16 February 2016

Leases

The Group assesses at contract inception whether a 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.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	11 to 70 years
Office buildings	1 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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 statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the 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) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables and loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated cost to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period 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 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of asset and released to profit or loss by way of a reduced depreciation charge.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Provision of road operation services*

Revenue from the provision of road operation services is recognised at the point of time when the relevant services have been provided and the Group has received the payment or the right to receive payment has been established.

(b) *Sale of products*

Revenue from the sale of products is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the products.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(c) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected values method to estimate the amount of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(d) Provision of the construction and upgrade services under service concession arrangements

Revenue from the construction and upgrade services provided under the service concession arrangements is recognised over time, using the input method, as further explained in the accounting policy for "Construction and upgrade services under service concession arrangements" below;

(e) Provision of charging services for electric vehicles

For the provision of charging services for electric vehicles, revenue is recognised when the electricity transmitted.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

(a) Rental income is recognised on a time proportion basis over the lease terms; Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred; and

(b) Interest income from the commercial factoring and sale-leaseback principal of a finance lease, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the commercial factoring and finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the commercial factoring and finance lease.

Other Income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Construction and upgrade services under service concession arrangements

The Group recognises income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with HKFRS 15 *Revenue from Contracts with Customers.*

Revenue generated from construction and upgrade services rendered by the Group is measured at fair value of the consideration received or receivable. The consideration represents the rights to obtain an intangible asset.

The Group uses the input method to determine the appropriate amount of income and expenses to be recognised in a given period, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract.

Employee benefits

Defined contribution pension scheme

In accordance with the state regulations of the PRC, the Group participates in a defined contribution pension scheme. All retired employees are entitled to an annual pension equivalent to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to a local social security bureau at a rate of 16% of the employees' salaries or wages of the current year, up to an amount equivalent to three times the employees' average salaries of the prior year within the geographical area where the employees are employed. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Supplementary defined contribution pension scheme

In addition, on 1 January 2007, a supplementary defined contribution pension scheme managed by an independent financial institution was established. Under the plan, the Group makes a monthly defined contribution to certain qualified employees at certain rates of the qualified employees' salaries or wages of the prior year. There were no vested benefits attributable to past service upon the adoption of the plan. The contributions under the supplementary defined contribution pension scheme are charged to profit or loss as incurred.

Housing fund

According to the relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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 gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue recognition

The Group applies judgements in determining whether it is principally involved in the trading of goods. The Group concludes that it acts as a principal and recognises revenue in the gross amount as the Group is able to control goods before transferring to the customers and has discretion in establishing the price for goods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(a) Provision for ECLs on receivables

The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's receivables is disclosed in notes 21 to the financial statements, respectively.

(b) Percentage of completion of construction and upgrade services provided under service concession arrangements and construction contracts

The Group recognises income and expenses associated with construction and upgrade services provided under service concession arrangements and construction contracts in accordance with HKFRS 15 *Revenue from Contracts with Customers*. The Group recognises construction revenue under service concession arrangements and construction contracts according to the input of individual contracts of construction and upgrade service work, which requires estimation to be made by management. The stage of completion and the corresponding contract revenue are estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contracts costs are more than expected, an impairment loss may arise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is 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 asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(d) Amortisation of service concession arrangements

Amortisation of service concession arrangements 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 arrangements. 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 arrangements. 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.

(e) Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 34 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was RMB43,587,000 (2022: RMB39,227,000). Further details are included in note 17 and 22 to the financial statements.

(f) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement 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. The carrying amount of deferred tax assets at 31 December 2023 was RMB112,259,000 (2022 (restated): RMB109,574,000). Further details are given in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the new energy technologies segment comprises the provision of charging services for electric vehicles and the sale of charger modules;

(c) the transportation services segment comprises the provision of advertising services, the rental of properties along expressways, the operation of gas stations along expressways and the sale of oil products;

(d) the transportation logistics segment comprises the sale of commodity logistics trade business;

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

(f) others segment mainly comprises financial investments.

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

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

Segment liabilities exclude deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

During the year ended 31 December 2023, the Group acquired 81% and 19% equity interests in Rongcheng Second Ring Company from Shudao Expressway and SRB Group, respectively. Rongcheng Second Ring Company manages and operates the Second Ring (Western) Expressway in Chengdu. Due to the business combination under common control and the adoption of amendments to HKAS 12, the operating segment information for the year ended 31 December 2022 and as at 31 December 2022 was restated.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2023

	Expressways *RMB'000*	New Energy Technologies *RMB'000*	Transportation Services *RMB'000*	Transportation Logistics *RMB'000*	Construction Services *RMB'000*	Others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE *(note 5)*	4,721,287	64,845	1,959,766	718,809	4,116,160	–	11,580,867
SEGMENT RESULTS	1,742,689	3,046	198,650	52,502	4,666	34,316	2,035,869
Reconciliation:							
Unallocated income and gains							119,120
Corporate and other unallocated expenses							(585,681)
Profit before tax							1,569,308
SEGMENT ASSETS	52,026,786	228,045	299,077	435,824	2,085,498	348,188	55,423,418
Reconciliation:							
Equity investments designated at fair value through other comprehensive income							87,769
Financial assets at fair value through profit or loss							34,383
Deferred tax assets							112,259
Restricted deposits							128
Cash and cash equivalents							1,982,830
Total assets							57,640,787
SEGMENT LIABILITIES	39,064,874	115,153	111,502	75,025	1,573,637	25,070	40,965,261
Reconciliation:							
Deferred tax liabilities							2,245
Total liabilities							40,967,506
OTHER SEGMENT INFORMATION							
Share of profits and losses of associates	12,228	–	–	372	–	26,060	38,660
Share of profits and losses of joint ventures	7,523	–	–	–	–	–	7,523
Reversal of impairment loss on trade receivables	–	–	–	33,923	–	–	33,923
Finance costs	904,514	249	962	–	32,055	89	937,869
Depreciation and amortisation	1,286,118	9,006	13,310	490	6,476	309	1,315,709
Investments in associates	70,870	–	–	73,140	–	330,091	474,101
Investments in joint ventures	27,287	–	–	–	–	–	27,287
Capital expenditure*	4,584,233	133,630	12,375	1,818	527	81	4,732,664

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2022

	Expressways RMB'000 (Restated)	New Energy Technologies RMB'000	Transportation Services RMB'000 (Restated)	Transportation Logistics RMB'000	Construction Services RMB'000 (Restated)	Others RMB'000	Total RMB'000 (Restated)
SEGMENT REVENUE *(note 5)*	3,765,241	11,665	1,972,737	322,397	4,193,062	154,275	10,419,377
SEGMENT RESULTS	885,125	975	145,956	20,252	72,022	87,994	1,212,324
Reconciliation:							
Gain on disposal of a subsidiary							10,660
Unallocated income and gains							104,000
Corporate and other unallocated expenses							(399,943)
Profit before tax							927,041
SEGMENT ASSETS	50,404,901	93,862	277,068	338,578	1,923,698	333,413	53,371,520
Reconciliation:							
Equity investments designated at fair value through other comprehensive income							93,233
Financial assets at fair value through profit or loss							29,142
Goodwill							7,583
Deferred tax assets							109,574
Restricted deposits							112
Cash and cash equivalents							2,587,976
Total assets							56,199,140
SEGMENT LIABILITIES	33,093,223	11,483	98,231	28,076	1,336,839	19,182	34,587,034
Reconciliation:							
Deferred tax liabilities							1,319
Total liabilities							34,588,353
OTHER SEGMENT INFORMATION							
Share of profits and losses of associates	9,479	–	–	984	–	12,808	23,271
Share of profits and losses of joint ventures	8,880	–	–	–	–	–	8,880
Impairment loss on other receivables	–	–	–	(37,303)	–	–	(37,303)
Reversal of impairment loss on trade receivables	–	–	–	13,645	–	–	13,645
Finance costs	991,873	37,967	84	609	–	35	1,030,568
Depreciation and amortisation	1,194,846	2,254	13,961	2,129	7,385	2,131	1,222,706
Investments in associates	68,121	–	–	73,203	–	331,480	472,804
Investments in joint ventures	128,796	–	–	–	–	–	128,796
Capital expenditure*	4,461,293	81,213	12,063	1,083	12,936	1,721	4,570,309

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Information about major customers

During the year ended 31 December 2023, no revenue derived from a single customer accounted for 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Revenue from contracts with customers	**11,543,947**	10,237,544
Revenue from other sources		
Finance leasing	**–**	153,987
Commercial factoring	**–**	288
Gross rental income from operating leases:		
Other lease payments, including fixed payments	**36,920**	27,558
Subtotal	**36,920**	181,833
Total revenue	**11,580,867**	10,419,377

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments

	Expressways *RMB'000*	New Energy Technologies *RMB'000*	Transportation Services *RMB'000*	Transportation Logistics *RMB'000*	Construction Services *RMB'000*	Total *RMB'000*
Types of goods or services						
Toll income	4,721,287	–	–	–	–	4,721,287
Construction services	–	–	–	–	4,116,160	4,116,160
Sale of products	–	32,273	1,871,550	718,809	–	2,622,632
Charging services for electric vehicles	–	32,572	–	–	–	32,572
Others	–	–	51,296	–	–	51,296
Total	4,721,287	64,845	1,922,846	718,809	4,116,160	11,543,947

Geographical market

Revenues under HKFRS 15 are all generated in Chinese Mainland.

	Expressways *RMB'000*	New Energy Technologies *RMB'000*	Transportation Services *RMB'000*	Transportation Logistics *RMB'000*	Construction Services *RMB'000*	Total *RMB'000*
Timing of revenue recognition						
At a point in time	4,721,287	64,845	1,922,846	718,809	–	7,427,787
Over time	–	–	–	–	4,116,160	4,116,160
Total	4,721,287	64,845	1,922,846	718,809	4,116,160	11,543,947

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2022

Segments

	Expressways *RMB'000* (Restated)	New Energy Technologies *RMB'000*	Transportation Services *RMB'000*	Transportation Logistics *RMB'000*	Construction Services *RMB'000* (Restated)	Total *RMB'000* (Restated)
Types of goods or services						
Toll income	3,765,241	–	–	–	–	3,765,241
Construction services	–	–	–	–	4,193,062	4,193,062
Sale of products	–	2,885	1,889,699	322,397	–	2,214,981
Charging services for electric vehicles	–	8,780	–	–	–	8,780
Others	–	–	55,480	–	–	55,480
Total	3,765,241	11,665	1,945,179	322,397	4,193,062	10,237,544

Geographical market

Revenues under HKFRS 15 are all generated in Chinese Mainland.

Timing of revenue recognition						
At a point in time	3,765,241	11,665	1,945,179	322,397	–	6,044,482
Over time	–	–	–	–	4,193,062	4,193,062
Total	3,765,241	11,665	1,945,179	322,397	4,193,062	10,237,544

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

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

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**7,496**	–
Charging services	**1,640**	–
Total	**9,136**	–

(b) Performance obligations

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

Toll income

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

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 20 to 180 days from delivery, except for new customers, where payment in advance is normally required.

Construction services

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Charging services for electric vehicles

The performance obligation is satisfied upon the completion of the electricity transmitted.

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

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**3,887,838**	5,192,259
After one year	**5,263,648**	7,976,069
Total	**9,151,486**	13,168,328

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Notes	2023 *RMB'000*	2022 *RMB'000* (Restated)
Other income			
Interest income from bank deposits		**62,329**	57,028
Interest income from funds under centralised management	32(j)	**115**	1,009
Interest income from discontinuing long term compensation receivables		**426**	1,885
Interest income arising from construction contracts		**29,303**	109,846
Interest income from loans to the ultimate holding company	32(j)	**28,475**	108,266
Interest income from loans to a related party	32(j)	**1,868**	5,924
Rental income from operating leases of other lease payments, including fixed payments		**2,904**	4,409
Government grants*		**36,058**	36,906
Dividend income from equity investments designated at fair value through other comprehensive income	17	**7,612**	7,130
Dividend income from financial assets at fair value through profit or loss		**27**	13
Road damage compensation income		**26,612**	34,132
Others		**10,828**	4,648
Total other income		**206,557**	371,196
Gains			
Gain on disposal of financial assets at fair value through profit or loss		**–**	22
Gain on disposal of a subsidiary		**–**	10,660
Gain on disposal of right-of-use assets		**144**	–
Fair value gain on derivative financial instruments		**–**	3,448
Fair value gain on financial assets at fair value through profit or loss		**5,241**	–
Fair value gain on remeasurement of a previously held equity interest in a joint venture at the date of business combination		**–**	3,641
Reversal of impairment loss on trade receivables	21(a)	**33,923**	13,645
Gain on liquidation of an associate	16	**7,001**	–
Total gains		**46,309**	31,416
Total other income and gains		**252,866**	402,612

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Interest on bank and other borrowings	**1,322,631**	1,333,207
Interest on super short-term commercial papers	**2,354**	–
Interest on medium-term notes	**52,814**	53,315
Interest on lease liabilities *(note 14(b))*	**6,337**	6,716
Guarantee fees	**–**	47,339
Subtotal	**1,384,136**	1,440,577
Less:		
Interest capitalised in respect of service concession arrangements *(note 13(d))*	**(446,267)**	(329,568)
Interest recorded under cost of sales	**–**	(80,441)
Total	**937,869**	1,030,568
Interest rate of borrowing costs capitalised	**3.57%-3.75%**	3.57%-3.92%

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2023** **RMB'000**	2022 *RMB'000* (Restated)
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration):	8		
Wages and salaries		**703,179**	629,441
Pension scheme contributions*			
– Defined contribution fund		**104,716**	98,750
Housing fund*			
– Defined contribution fund		**72,265**	67,539
Supplementary pension scheme*			
– Defined contribution fund		**25,990**	25,592
Other staff benefits		**157,415**	145,014
Employee benefit expense**		**1,063,565**	966,336
Depreciation of property, plant and equipment	12	**127,471**	119,345
Amortisation of service concession arrangements	13	**1,127,157**	1,038,727
Depreciation of right-of-use assets	14(a)	**61,081**	64,634
Depreciation and amortisation expenses**		**1,315,709**	1,222,706
Construction costs in respect of:			
Service concession arrangements		**3,993,702**	4,083,039
Construction works performed for other parties		**108,837**	98,189
Construction costs**		**4,102,539**	4,181,228

7. PROFIT BEFORE TAX (CONTINUED)

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

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)
Cost of product sales		**2,366,398**	2,010,025
Cost of finance lease operation		**–**	80,441
Cost of charging services		**17,538**	5,038
Repairs and maintenance		**325,275**	190,643
Lease payments not included in the measurement of lease liabilities	14(c)	**3,166**	1,611
Auditor's remuneration		**3,882**	3,682
Loss on disposal of items of property, plant and equipment		**7,561**	5,219
Loss on deemed disposal of investments in an associate	16	**1,662**	–
Impairment loss on other receivables	21(c)	**–**	37,303
Impairment loss on goodwill		**7,583**	–
Fair value loss on financial assets at fair value through profit or loss		**–**	213
Late fees relating to unpaid taxes		**2,128**	7,360
Foreign exchange losses, net		**1,790**	9,567

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

** During the year, employee costs of RMB67,778,000 (2022: RMB60,958,000), and depreciation and amortisation charges of RMB6,238,000 (2022: RMB5,487,000) were included in construction costs.

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**4,890**	5,362
Pension scheme contributions	**280**	273
Supplementary pension scheme contributions	**414**	330
Subtotal	**5,584**	5,965
Total fees and other emoluments	**5,904**	6,285

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Mr. Yan Qixiang	**80**	80
Madam Bu Danlu	**80**	80
Mr. Yu Haizong	**80**	80
Mr. Zhang Qinghua[(a)]	**80**	27
Madam Liu Lina[(b)]	**–**	53
Total	**320**	320

(a) Mr. Zhang Qinghua was appointed as the Company's independent non-executive director on 30 August 2022 and has been entitled to remuneration since 30 August 2022.

(b) Madam Liu Lina resigned as an independent non-executive director of the Company on 30 August 2022.

There were no other emoluments payable to the independent non-executive directors during the year (2022: nil).

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Executive and non-executive directors

	Salaries, allowances and benefits in kind *RMB'000*	Performance Related bonuses *RMB'000*	Pension Scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2023					
Executive directors:					
Mr. Li Wenhu	775	–	41	73	889
Mr. Gan Yongyi[(a)]	646	–	34	61	741
Mr. You Zhiming	635	–	41	57	733
Madam Ma Yonghan	635	–	41	57	733
Madam Xue Min[(b)]	377	–	–	–	377
Subtotal	3,068	–	157	248	3,473
Non-executive directors:					
Mr. Li Chengyong	–	–	–	–	–
Mr. Wu Xinhua[(c)]	–	–	–	–	–
Mr. Chen Chaoxiong[(d)]	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	3,068	–	157	248	3,473

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Executive and non-executive directors (continued)

	Salaries, allowances and benefits in kind *RMB'000*	Performance Related bonuses *RMB'000*	Pension Scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022					
Executive directors:					
Mr. Gan Yongyi[(a)]	803	–	39	50	892
Mr. Li Wenhu	803	–	39	49	891
Mr. You Zhiming	647	–	39	47	733
Madam Ma Yonghan	642	–	39	49	730
Mr. He Zhuqing[(e)]	407	–	–	–	407
Madam Xue Min[(b)]	203	–	–	–	203
Subtotal	3,505	–	156	195	3,856
Non-executive directors:					
Mr. Li Chengyong	–	–	–	–	–
Mr. Liu Changsong[(f)]	–	–	–	–	–
Mr. Wu Xinhua[(c)]	–	–	–	–	–
Mr. Chen Chaoxiong[(d)]	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	3,505	–	156	195	3,856

(a) Mr. Gan Yongyi resigned as the Company's executive director on 20 October 2023.

(b) Madam Xue Min was appointed as the Company's executive director on 30 August 2022 and resigned as the Company's executive director on 28 August 2023.

(c) Mr. Wu Xinhua was appointed as the Company's non-executive director on 18 November 2022.

(d) Mr. Chen Chaoxiong was appointed as the Company's non-executive director on 30 August 2022.

(e) Mr. He Zhuqing resigned as the Company's non-executive director on 9 August 2022.

(f) Mr. Liu Changsong resigned as the Company's non-executive director on 18 November 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: nil).

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(c) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance Related bonuses RMB'000	Pension Scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total remuneration RMB'000
2023					
Mr. Luo Maoquan	**698**	**–**	**41**	**66**	**805**
Mr. Ling Xiyun	**–**	**–**	**–**	**–**	**–**
Mr. Wang Yao	**–**	**–**	**–**	**–**	**–**
Madam Li Tao	**630**	**–**	**41**	**57**	**728**
Madam Gao Ying	**–**	**–**	**–**	**–**	**–**
Madam Lu Xiaoyan	**494**	**–**	**41**	**43**	**578**
Total	**1,822**	**–**	**123**	**166**	**2,111**
2022					
Mr. Luo Maoquan	723	–	39	50	812
Mr. Ling Xiyun	–	–	–	–	–
Mr. Wang Yao	–	–	–	–	–
Madam Li Tao	642	–	39	49	730
Madam Gao Ying	–	–	–	–	–
Madam Lu Xiaoyan	492	–	39	36	567
Total	1,857	–	117	135	2,109

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year (2022: nil).

8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(d) The five highest paid employees during the year included three directors (2022: two) and one supervisor (2022: one), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining one (2022 : two) highest paid employees who are neither a director, chief executive nor supervisor of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**653**	1,294
Performance related bonuses	**41**	–
Pension scheme contributions	**47**	78
Total	**741**	1,372

Remuneration of the above non-director, non-chief executive and non-supervisor highest paid employees during the year and the prior year was below HK$1,000,000.

In addition to the amounts disclosed above, no executive director (2022: no), three non-executive directors (2022: four) and three supervisors (2022: three) did not receive any remuneration from the Company in 2023. They are respectively the senior executives and directors of Shudao Investment and China Merchants Expressway Network & Technology Holdings Company Limited, which holds a 24.88% interest in the Company. In the opinion of the directors, it is not practicable to apportion these amounts between their services as directors and supervisors of the Company and their services as senior executives and directors of the above companies.

9. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the two years ended 31 December 2023 and 2022.

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

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

For entities within the scope of the transportation industry, i.e., the Company, Chengle Company, Chengbei Company, Shuxia, Rongcheng Second Ring Company and Chengdu Airport Expressway Company Limited ("Chengdu Airport Expressway"), an associate of the Company, are entitled to a preferential tax rate of 15%.

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Current – Chinese Mainland		
Charge for the year	**302,303**	272,952
Underprovision in prior years	**901**	4,417
Deferred *(note 19)*	**(664)**	(29,489)
Total tax charge for the year	**302,540**	247,880

9. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rates for companies within the Group to the tax expense at the Group's effective tax rate, is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Profit before tax	**1,569,308**	927,041
Tax at the applicable tax rates	**246,521**	156,647
Income not subject to tax	**(1,456)**	(1,688)
Expenses not deductible for tax	**5,057**	17,211
Underprovision in prior years	**901**	4,417
Profit attributable to associates and joint ventures	**(8,442)**	(5,995)
Tax losses and deductible temporary differences not recognised	**56,458**	75,317
Tax losses utilised from previous years	**(1,969)**	–
Dividend from a joint venture not subject to tax	**1,355**	1,634
Others	**4,115**	337
Tax charge at the Group's effective tax rate	**302,540**	247,880

The share of tax attributable to joint ventures and associates amounting to RMB11,234,000 (2022: RMB9,230,000) is included in "Share of profits and losses of joint ventures and associates" on the face of the consolidated statement of profit or loss and other comprehensive income.

10. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Proposed final – RMB0.24 2022: RMB0.10 per ordinary share	**733,934**	305,806

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements have not reflected this proposed final dividend.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 3,058,060,000 (2022: 3,058,060,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

	Safety equipment RMB'000	Communication and signalling systems RMB'000	Toll collection equipment RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023									
Cost:									
At 1 January 2023 (restated)	639,346	197,641	455,871	692,745	274,471	108,731	11,712	27,139	2,407,656
Additions during the year	601	3,141	6,025	-	20,095	2,054	-	260,779	292,695
Disposals and write-offs	(9,510)	(1,136)	(1,587)	(7,544)	(12,959)	(2,844)	(289)	-	(35,869)
Transfer	6,125	13,232	-	61,308	19,126	-	3,440	(103,231)	-
At 31 December 2023	636,562	212,878	460,309	746,509	300,733	107,941	14,863	184,687	2,664,482
Accumulated depreciation:									
At 1 January 2023 (restated)	599,802	123,097	247,780	362,378	160,816	72,562	1,177	-	1,567,612
Provided during the year *(note 7)*	4,566	21,997	37,075	40,976	13,094	6,921	2,842	-	127,471
Disposals and write-offs	(8,982)	(412)	(1,483)	(395)	(8,398)	(2,754)	-	-	(22,424)
At 31 December 2023	595,386	144,682	283,372	402,959	165,512	76,729	4,019	-	1,672,659
Net carrying amount:									
At 1 January 2023 (restated)	39,544	74,544	208,091	330,367	113,655	36,169	10,535	27,139	840,044
At 31 December 2023	41,176	68,196	176,937	343,550	135,221	31,212	10,844	184,687	991,823

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Safety equipment *RMB'000*	Communication and signalling systems *RMB'000*	Toll collection equipment *RMB'000*	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022									
Cost:									
At 1 January 2022 (restated)	636,391	190,251	479,339	643,249	238,220	107,776	–	19,909	2,315,135
Additions during the year	4,007	7,626	12,935	45,908	52,937	7,120	–	27,169	157,702
Acquisition of a subsidiary	–	–	–	–	50	–	–	–	50
Disposals and write-offs	(1,052)	(207)	(36,403)	(3,498)	(16,561)	(4,861)	–	–	(62,582)
Disposal of a subsidiary	–	(29)	–	–	(1,316)	(1,304)	–	–	(2,649)
Transfer	–	–	–	7,086	1,141	–	11,712	(19,939)	–
At 31 December 2022 (restated)	639,346	197,641	455,871	692,745	274,471	108,731	11,712	27,139	2,407,656
Accumulated depreciation:									
At 1 January 2022 (restated)	595,989	111,972	236,555	339,830	150,714	71,101	–	–	1,506,161
Provided during the year *(note 7)*	4,571	11,337	43,535	25,092	26,967	6,666	1,177	–	119,345
Disposals and write-offs	(758)	(200)	(32,310)	(2,544)	(16,044)	(4,395)	–	–	(56,251)
Disposal of a subsidiary	–	(12)	–	–	(821)	(810)	–	–	(1,643)
At 31 December 2022 (restated)	599,802	123,097	247,780	362,378	160,816	72,562	1,177	–	1,567,612
Net carrying amount:									
At 1 January 2022 (restated)	40,402	78,279	242,784	303,419	87,506	36,675	–	19,909	808,974
At 31 December 2022 (restated)	39,544	74,544	208,091	330,367	113,655	36,169	10,535	27,139	840,044

13. SERVICE CONCESSION ARRANGEMENTS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Cost:		
At 1 January	**57,028,495**	52,615,888
Additions	**4,439,969**	4,412,607
At 31 December	**61,468,464**	57,028,495
Accumulated amortisation:		
At 1 January	**10,695,712**	9,656,985
Charged for the year *(note 7)*	**1,127,157**	1,038,727
At 31 December	**11,822,869**	10,695,712
Net carrying amount:		
At 1 January	**46,332,783**	42,958,903
At 31 December	**49,645,595**	46,332,783

13. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Notes:

(a) At 31 December 2023, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 26(a)):

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Chengle Expressway	**12,155,168**	10,549,429
Chengren Expressway	**5,903,036**	6,102,008
Tianqiong Expressway	**5,522,506**	3,012,674
Suiguang Expressway and Suixi Expressway	**11,095,731**	11,099,484
Second Ring (Western) Expressway	**13,165,127**	13,398,517
Total	**47,841,568**	44,162,112

(b) During the year, the Group was mainly in the construction of the Chengle Expressway Expansion Construction Project and Tianqiong Expressway Build-Operate-Transfer ("BOT") Project. Total costs of RMB4,439,969,000 (2022 (restated): RMB4,412,607,000) including construction costs of RMB3,993,702,000 and capitalised borrowing costs of RMB446,267,000 were incurred, among which RMB3,993,702,000 (2022 (restated): RMB4,083,039,000) was sub-contracted to third party subcontractors.

(c) Construction revenue of RMB3,993,702,000 (2022 (restated): RMB4,083,039,000) was mainly recognised in respect of the construction service provided by the Group for the Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project using the input method during the year. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the Group is granted the rights to charge the users under the service concession arrangements of the above mentioned projects.

(d) Additions to service concession arrangements during the year included interest capitalised in respect of bank loans amounting to RMB446,267,000 (2022: RMB329,568,000) (note 6).

(e) Other than the land with a site area of approximately 2,139,038 square metres, the Group has not obtained land use right certificates of certain land occupied by Rongcheng Second Ring Company. In the opinion of the directors, there are no major obstacles for the Group to obtain these certificates, and the normal operation of Rongcheng Second Ring Company will not be adversely affected before obtaining these certificates.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and office buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 11 to 70 years, and no ongoing payments will be made under the terms of these land leases. Leases of office buildings generally have lease terms between 1 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	Office buildings *RMB'000*	Total *RMB'000*
As at 1 January 2023	**288,314**	**29,448**	**317,762**
Additions	**–**	**26,144**	**26,144**
Terminations	**–**	**(4,430)**	**(4,430)**
Depreciation charge *(note 7)*	**(47,074)**	**(14,007)**	**(61,081)**
As at 31 December 2023	**241,240**	**37,155**	**278,395**

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Carrying amount at 1 January	**134,052**	147,790
New leases	**24,426**	20,832
Terminations	**(4,574)**	(2,843)
Accretion of interest recognised during the year	**6,337**	6,716
Disposal of a subsidiary	**–**	(1,849)
Payments	**(37,443)**	(36,594)
Carrying amount at 31 December	**122,798**	134,052
Analysed into:		
Current portion	**23,264**	25,023
Non-current portion	**99,534**	109,029

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities *(note 6)*	**6,337**	6,716
Depreciation charge of right-of-use assets *(note 7)*	**61,081**	64,634
Expense relating to short-term leases *(note 7)*	**3,166**	1,611
Total amount recognised in profit or loss	**70,584**	72,961

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

The Group as a lessor

The Group leases its leased properties consisting office buildings and service zones under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB39,824,000 (2022: RMB31,967,000), details of which are included in note 5 to the financial statements.

15. INVESTMENTS IN JOINT VENTURES

	2023 RMB'000	2022 RMB'000
Share of net assets	**27,287**	128,796

Particulars of the Group's joint ventures, which were established and operate in Chinese Mainland as of 31 December 2023, are as follows:

Name	Percentage of Ownership interest	Principal activities
Sichuan Chengyu Development Equity Investment Fund Center (Limited Partnership) ("Chengyu Development Fund")	49.26% (direct 49.18%, indirect 0.08%)	Asset management
Sichuan Communications Network Technology Company Limited ("Sichuan Communication")	49% (direct)	Technology service

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the joint ventures' profit for the year	**7,523**	8,880
Dividend declared during the year	**(9,032)**	(10,893)
Withdrawal during the year*	**(100,000)**	–
Transferred arising from business combination	**–**	(6,360)
Aggregate carrying amount of the Group's investments in joint ventures	**27,287**	128,796

* During the year ended 31 December 2023, the Group had capital withdrawal of RMB100,000,000 in Chengyu Development Fund. The withdrawal was made in proportion with the shareholding percentage. The equity interest held by the Group remained the same and is still able to exercise joint control after the capital withdrawal.

The Group's investments in joint ventures are measured using the equity method.

16. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**474,101**	481,967
Provision for impairment	**–**	(9,163)
Total	**474,101**	472,804

Particulars of the Group's associates, which were established and operate in Chinese Mainland as of 31 December 2023, are as follows:

Name	Percentage of ownership interest attributable to the Group	Principal activity
Chengdu Airport Expressway	25%	Operation of Chengdu Airport Expressway
Sichuan Renshou Rural Commercial Bank Co., Ltd.	7.474%	Banking operations
Sichuan Zhongxin Assets Management Company Limited ("Sichuan Zhongxin")	5%	Asset management
Shudao Financial Leasing (Shenzhen) Company Limited	25.05%	Finance lease
Chengdu Communications Investment Supply Chain Management International Co., Ltd.	29%	Business services

The Group's shareholdings in Chengdu Airport Expressway are held by the Company. The Group's shareholdings in other associates are held by the subsidiaries of the Company.

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Notes	2023 RMB'000	2022 RMB'000
Share of the associates' profit for the year		**38,660**	23,271
Dividend declared during the year		**(31,251)**	(20,798)
Liquidation of an associate	(a)	**(4,450)**	–
Deemed disposal of investment in an associate	(b)	**(1,662)**	–
Transferred from disposal of a subsidiary		**–**	165,330
Aggregate carrying amount of the Group's investments in associates		**474,101**	472,804

Notes:

(a) In June 2023, one of the Group's associate Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited in which the Company previously held 20% equity interest with a carrying amount of RMB13,613,000 and impairment loss of RMB9,163,000 was liquidated. A liquidation gain on investment in an associate of RMB7,001,000 (note 5) was recognised during the year ended 31 December 2023.

(b) During the year ended 31 December 2023, Shudao Chengyu Investment entered into a capital increase agreement with Sichuan Industrial Revitalization Development Investment Fund Co., Ltd., one shareholder of Sichuan Zhongxin, who has injected RMB96,250,000 in Sichuan Zhongxin. Accordingly, the Group's equity interest in Sichuan Zhongxin was diluted from 40% to 5% and a dilution loss on investment in an associate of RMB1,662,000 was recognised. According to the article of association of Sichuan Zhongxin, Shudao Chengyu Investment has the representation in the board of directors and therefore can participate in the financial and operating policy decisions of the company so as to have significant influence in its activities.

The Group's investments in associates are accounted for using the equity method.

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 **RMB'000**	2022 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
China Everbright Bank	**78,199**	82,783
Subtotal	**78,199**	82,783
Unlisted equity investments, at fair value		
Sichuan Zhineng Transportation System Management Company Limited	**850**	1,570
Chengdu Chengbei Expressway Gas Station Co., Ltd.	**8,720**	8,880
Subtotal	**9,570**	10,450
Total	**87,769**	93,233

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2023, the Group received dividends in the amount of RMB7,612,000 (2022: RMB7,130,000) (note 5).

18. PAYMENTS IN ADVANCE

	Notes	**2023** **RMB'000**	2022 RMB'000
In respect of:			
Sandstones	(a)	**324,026**	227,169
Construction	(b)	**1,007,320**	199,616
Total		**1,331,346**	426,785

(a) Pursuant to contracts governing the construction of Lushan County Tourist Road Construction Project, trade receivables arising from the construction service will be used to settle the purchase of sandstones arranged by the local government authorities, for a period over one year.

(b) Pursuant to contracts governing the relevant construction projects, prepayments were mainly made by the Group to ensure the continuous construction of Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project.

Included in payments in advance in respect of construction, prepayments amounting to RMB869,690,000 and nil (31 December 2022: RMB73,357,000 and RMB83,846,000) were made to fellow subsidiaries under control of Shudao Investment and Road and Bridge International Co., Ltd. ("Road and Bridge"), a non-controlling shareholder of a subsidiary within the Group, respectively, for Chengle Expressway Expansion Construction Project, Tianqiong Expressway BOT Project and Lushan County Long Bao Da Construction project.

19. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Deferred income *RMB'000*	Fair value adjustment arising from equity investments designated at fair value through other comprehensive income *RMB'000*	Deductible tax losses *RMB'000*	Lease liabilities *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 31 December 2021	19,381	4,393	–	–	19,635	43,409
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	–	–	–	21,166	–	21,166
Effect of business combination under common control	798	–	47,895	–	–	48,693
At 1 January 2022 (restated)	20,179	4,393	47,895	21,166	19,635	113,268
Deferred tax credited/(charged) to profit or loss during the year (restated) *(note 9)*	(3,512)	–	23,440	(234)	8,256	27,950
Deferred tax credited to reserves during the year	–	285	–	–	–	285
Disposal of a subsidiary	–	–	–	–	(13,090)	(13,090)
At 31 December 2022 and 1 January 2023 (restated)	16,667	4,678	71,335	20,932	14,801	128,413
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	(3,499)	–	(3,442)	(2,053)	9,570	576
Deferred tax credited to reserves during the year	–	796	–	–	–	796
At 31 December 2023	13,168	5,474	67,893	18,879	24,371	129,785

The Group has tax losses arising in Chinese Mainland of RMB2,140,083,000 (2022 (restated): RMB2,590,699,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making and it is not considered probable that taxable profits will be available against which they can be utilised.

19. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Fair value adjustment arising from equity investments designated at fair value through other comprehensive income *RMB'000*	Fair value adjustment arising from financial assets at fair value through profit or loss *RMB'000*	Accelerated amortisation for tax purposes *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
At 31 December 2021	39,791	–	875	–	40,666
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	–	–	–	19,524	19,524
At 1 January 2022 (restated)	39,791	–	875	19,524	60,190
Deferred tax credited to profit or loss during the year (restated) *(note 9)*	–	–	(521)	(1,018)	(1,539)
Deferred tax charged to reserves during the year	1,886	–	–	–	1,886
Disposal of equity investments designated at fair value through other comprehensive income	(40,379)	–	–	–	(40,379)
At 31 December 2022 and 1 January 2023 (restated)	1,298	–	354	18,506	20,158
Deferred tax credited to profit or loss during the year (restated) *(note 9)*	–	1,270	(354)	(1,004)	(88)
Deferred tax charged to reserves during the year	(299)	–	–	–	(299)
At 31 December 2023	999	1,270	–	17,502	19,771

19. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Gross deferred tax assets	**129,785**	128,413
Gross deferred tax liabilities	**(17,526)**	(18,839)
Net deferred tax assets	**112,259**	109,574
Gross deferred tax liabilities	**19,771**	20,158
Gross deferred tax assets	**(17,526)**	(18,839)
Net deferred tax liabilities	**2,245**	1,319

Withholding Tax ("WHT") for dividends paid to foreign investors

Pursuant to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation, where the Company declares a dividend in or after 2008 and beyond out of the cumulative retained profits as of 31 December 2007 (i.e., 2007 retained profits), these dividends earned by the foreign shareholders are exempted from WHT; for a dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign shareholders. Dividends paid to foreign shareholders are subject to a 10% WHT for the dividend starting from 1 January 2008.

20. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Refined oil products	**22,311**	24,935
Sandstones	**14,472**	93
Agricultural products	**74,863**	2,553
Spare parts and construction materials	**8,175**	2,495
Total	**119,821**	30,076

21. TRADE AND OTHER RECEIVABLES

	Notes	**2023** **RMB'000**	2022 *RMB'000* (Restated)
Trade receivables			
Trade receivables		**1,870,018**	1,693,594
Impairment		**(3,678)**	(37,601)
Trade receivables, net	(a)	**1,866,340**	1,655,993
Bills receivable		**2,100**	220,432
Subtotal		**1,868,440**	1,876,425
Other receivables			
Deposit and other receivables	(b)	**722,406**	746,134
Impairment	(c)	**(134,406)**	(134,406)
Subtotal		**588,000**	611,728
Prepayments		**98,610**	48,039
Other receivables, net		**686,610**	659,767
Total trade and other receivables		**2,555,050**	2,536,192
Less: Current portion		**(1,015,838)**	(2,536,192)
Non-current portion		**1,539,212**	–

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

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

According to the contracts governing the relevant construction works, trade receivables of RMB1,106,441,000 as at 31 December 2023 are to be settled by instalments within two to thirteen years upon completion of the relevant construction works and bear interest at rates ranging from 4.75% to 8.5% (2022: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**271,256**	168,417
3 to 6 months	**32,096**	12,494
6 to 12 months	**19,683**	19,390
Over 1 year	**1,543,305**	1,455,692
Total	**1,866,340**	1,655,993

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**37,601**	51,246
Reversal of loss allowance *(note 5)**	**(33,923)**	(13,645)
At end of year	**3,678**	37,601

* During the year, the Group has reversed the full provision previously made against the factoring receivables of RMB33,923,000 as fully collected.

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

As at 31 December 2023, the Group's major receivables are from government agencies, state-owned enterprises and a number of diversified customers. In view of the history of business dealings with the debtors and the sound collection history of the receivables and loans to customers due from them, the Group believes that there is no significant credit risk with these receivables. Management keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis based on historical payment records, the length of the overdue period, background and reputation of the debtors, the financial strength of the debtors and whether there are any disputes with the debtors. Except for the loss allowance for impairment of trade receivables mentioned above, no additional ECL was provided as the directors consider that the expected credit risks of these receivables are minimal.

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

	2023 RMB'000	2022 RMB'000 (Restated)
Up-front payment of construction contracts	**40,866**	37,186
Interest receivables on temporary advances and construction revenue	**2,452**	2,452
Long-term compensation receivables to be received within one year	**–**	3,351
Toll income receivables	**136,155**	85,260
Deductible input value-added tax	**254,940**	141,129
Prepaid income tax	**7,847**	–
Deposits	**5,729**	4,520
Loans to a related party	**–**	250,000
Interest receivables	**8,785**	4,003
Dividend receivables	**16,492**	–
Miscellaneous	**249,140**	218,233
Subtotal	**722,406**	746,134
Impairment allowance	**(134,406)**	(134,406)
Total	**588,000**	611,728

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**134,406**	97,103
Provision for loss allowance *(note 7)*	**–**	37,303
At end of year	**134,406**	134,406

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

In determining the ECLs for other receivables, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Except for certain disputed other receivables which had been fully impaired, the Group has assessed and concluded that the risk of default rate for the other instruments was minimal as at 31 December 2023 since the counterparties to these instruments have a high credit rating.

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(d) Amounts due from related parties, which are repayable on credit terms similar to those offered to the independent major customers of the Group, included in trade and other receivables as at the end of the reporting period are as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Fellow subsidiaries under control of Shudao Investment		
Other receivables	**134,972**	340,748
Prepayments	**1,681**	20,437
Trade receivables	**3,903**	778
Total	**140,556**	361,963

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Non-current assets		
Investment in private equity fund	**34,017**	28,777
Current assets		
Investments in listed equity	**366**	365

The investment in private equity fund is mandatorily measured at fair value through profit or loss.

The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Cash and bank balances	**1,707,933**	2,404,289
Time deposits with original maturity of:		
– less than three months	**20,000**	–
– more than three months	**255,025**	183,799
Subtotal	**1,982,958**	2,588,088
Less: Restricted deposits	**(128)**	(112)
Cash and cash equivalents	**1,982,830**	2,587,976

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for periods of three months, six months and three years and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, cash and bank balances were denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
RMB	**1,982,853**	2,587,997
Hong Kong dollars	**105**	91
Total	**1,982,958**	2,588,088

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advances received from customers		
Sale of goods	**14,338**	7,496
Charging services	**5,231**	1,640
Total	**19,569**	9,136

Contract liabilities include advances received to deliver goods and to provide charging services.

25. TRADE AND OTHER PAYABLES

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Trade payables	(a)	**123,638**	62,640
Other payables	(b)	**2,590,364**	1,932,964
Interest payables	(c)	**72,061**	68,616
Deferred income	(d)	**287,741**	311,205
Total		**3,073,804**	2,375,425
Less: Non-current portion		**(254,492)**	(277,792)
Portion classified as current liabilities		**2,819,312**	2,097,633

Notes:

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**94,402**	45,788
3 to 6 months	**13,475**	595
6 to 12 months	**2,787**	3,967
Over 1 year	**12,974**	12,290
Total	**123,638**	62,640

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

25. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

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

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)
Advances		**14,913**	12,524
Inter-network toll collection	(i)	**32,804**	38,666
Payroll and welfare payables		**335,539**	263,704
Taxes and surcharge payables		**74,714**	83,715
Progress billing payables	(ii)	**1,531,774**	950,771
Retention payables	(iii)	**166,326**	193,364
Deposits	(iii)	**105,090**	96,149
Late fees for unpaid other taxes	(iv)	**27,590**	25,462
Others		**301,614**	268,609
Total		**2,590,364**	1,932,964

Notes:

(i) The balance represented the expressway tolls pending for allocation to other expressway operators.

(ii) Included in the progress billing payables, an amount of RMB1,163,560,000 (2022 (restated): RMB742,964,000) related to the construction of the Suiguang-Suixi Expressways BOT Project, the Chengle Expressway Expansion Construction Project, Tianqiong Expressway Construction Project and Rongcheng Second Ring Construction Project.

(iii) Included in retention payables and deposits, an amount of RMB155,500,000 (2022 (restated): RMB172,058,000) related to the construction of the Chengren Expressway BOT Project, Suiguang-Suixi Expressways BOT Project, the Chengle Expressway Expansion Construction Project, Tianqiong Expressway Construction Project and Rongcheng Second Ring Construction Project.

(iv) The balance represented late fees relating to unpaid value-added tax arising from the interest income generated from the loans to the ultimate holding company.

(c) The balance as at 31 December 2023 consisted of interest accrued in respect of medium-term notes and interest-bearing bank borrowings of RMB30,535,000 (2022: RMB30,390,000) and RMB41,526,000 (2022 (restated): RMB38,226,000), respectively.

25. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(d) Deferred income as at the end of the reporting period mainly include the following items:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Leasing income received in advance	**6,621**	7,724
Management fee received in advance for operation of a bridge	**30,205**	38,260
Various deferred compensation income received in advance	**80,884**	76,782
Subsidy funds for demolishing the provincial boundary toll station	**67,142**	83,424
Government grants for Suiguang-Suixi Expressways BOT Project	**92,095**	93,770
Longquan gas station demolition subsidy	**6,786**	6,786
Others	**4,008**	4,459
Total	**287,741**	311,205

Deferred income of the Group to be released to profit or loss after twelve months from 31 December 2023 with a total amount of RMB254,492,000 (2022 (restated): RMB277,792,000) has been recorded as a non-current liability.

(e) Amounts due to related parties included in trade and other payables as at the end of the reporting period, which are on credit terms similar to those offered by independent major suppliers of the Group, are as follows:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Fellow subsidiaries under control of Shudao Investment		
Advances	**1,006**	1,137
Trade payables	**5,403**	–
Other payables	**995,207**	665,079
Subtotal	**1,001,616**	666,216
Road and bridge		
Other payables	**252,548**	–
Total	**1,254,164**	666,216

Except for the performance guarantee deposits and retention payables which have a longer repayment term of approximately two years, other payables are non-interest-bearing and have an average term of three months.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Current			
Bank loans:			
Secured and guaranteed	(a), (c)	**17,500**	12,500
Secured	(a)	**1,056,549**	673,349
Unsecured		**1,232,850**	1,192,100
Medium-term notes	(b)	**290,000**	–
Other borrowings, guaranteed	(d)	**767,497**	463,005
Lease liabilities *(note 14(b))*		**23,264**	25,023
Total – current		**3,387,660**	2,365,977
Non-Current			
Bank loans:			
Secured and guaranteed	(a), (c)	**9,074,000**	9,091,500
Secured	(a)	**17,408,164**	14,487,111
Unsecured		**4,487,800**	1,518,850
Medium-term notes	(b)	**1,000,000**	1,290,000
Other borrowings, guaranteed	(d)	**2,323,519**	3,091,172
Lease liabilities *(note 14(b))*		**99,534**	109,029
Total – non-current		**34,393,017**	29,587,662
Total		**37,780,677**	31,953,639

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

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Analysed into:			
Bank loans repayable:			
Within one year		**2,306,899**	1,877,949
In the second year		**1,581,049**	1,623,699
In the third to fifth years, inclusive		**6,553,462**	3,861,046
Beyond five years		**22,835,453**	19,612,716
Subtotal		**33,276,863**	26,975,410
Medium-term notes repayable:			
Within one year		**290,000**	–
In the second year		**–**	290,000
In the third to fifth years, inclusive		**1,000,000**	1,000,000
Subtotal		**1,290,000**	1,290,000
Other borrowings and lease liabilities repayable:			
Within one year		**790,761**	488,028
In the second year		**1,102,061**	791,382
In the third to fifth years, inclusive		**1,299,377**	2,367,008
Beyond five years		**21,615**	41,811
Subtotal		**3,213,814**	3,688,229
Total		**37,780,677**	31,953,639

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

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

Notes :

(a) Bank loans were secured by:

	Note	2023 RMB'000	2022 RMB'000 (Restated)
		(Bank loan amount)	
Secured by concession rights of:	13(a)		
Chengle Expressway		**6,719,230**	4,825,230
Chengren Expressway		**1,281,655**	1,555,004
Tianqiong Expressway		**4,053,828**	1,970,226
Suiguang Expressway and Suixi Expressway		**6,410,000**	6,810,000
Second Ring (Western) Expressway		**9,091,500**	9,104,000
Total		**27,556,213**	24,264,460

The bank loans bear interest at rates ranging from 2.15% to 3.85% (2022: 3.15% to 4.90%) per annum.

(b) As at 31 December 2023, the Company had two (2022: two) tranches of outstanding medium-term notes totalling RMB1,290,000,000 (2022: RMB1,290,000,000) issued to domestic institutional investors participating in the PRC interbank debt market. The effective interest rates for these medium-term notes ranged from 3.49% to 6.30% (2022: 3.49% to 6.30%) per annum. These medium-term notes were issued at a par value of RMB100 per unit, and will be repaid between July 2024 and May 2026, respectively, with an original maturity period of ten years and five years, respectively.

(c) As at 31 December 2023, the bank loans of RMB9,091,500,000 (2022 (restated): RMB9,104,000,000) were guaranteed by Shudao Investment (note 32(k)).

(d) As at 31 December 2023, other borrowings of RMB3,091,016,000 (2022 (restated): RMB3,554,177,000) were guaranteed by Shudao Investment (note 32(l)).

27. ISSUED CAPITAL

	2023 RMB'000	2022 RMB'000
Issued and fully paid:		
A Shares of 2,162,740,000 (2022: 2,162,740,000) of RMB1.00 each	**2,162,740**	2,162,740
H Shares of 895,320,000 (2022: 895,320,000) of RMB1.00 each	**895,320**	895,320
Total	**3,058,060**	3,058,060

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

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

28. 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) Statutory surplus reserve

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

(b) Merger difference

The merger difference of the Group is resulted from the preparation of the Group's consolidated financial statements. The merger differences consisted of: (i) the difference calculated by the consideration paid for the acquisition of Chengle Company netting off the nominal value of the paid-in capital of Chengle Company attributable to the then owners of Chengle Company, and (ii) the difference calculated by the consideration paid for the acquisition of Rongcheng Second Ring Company netting off the nominal value of the paid-in capital and capital reserve of Rongcheng Second Ring Company attributable to the then owners of Rongcheng Second Ring Company.

(c) Safety fund reserve

Pursuant to the *Notice regarding Safety Production Expenditure* jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group is required to establish the safety fund surplus reserve based on construction revenue and revenue of sales of refined oil recognised in previous years. The safety fund can only be transferred to retained profits to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(d) General risk reserve

Pursuant to the Notice regarding strengthening the Supervision and Management of Commercial factoring Enterprises issued by the China Banking and Insurance Regulatory Commission, the Group is required to establish the general risk reserve based on factoring receivable.

29. BUSINESS COMBINATION UNDER COMMON CONTROL

On 30 April 2023, the Company completed the acquisition of 81% and 19% equity interests in Rongcheng Second Ring Company from Shudao Expressway and SRB Group, respectively, with an aggregate consideration of RMB5,903,000,000 settled during the year. Shudao Expressway and SRB Group are both under the control of Shudao Investment. Rongcheng Second Ring Company manages and operates the Second Ring (Western) Expressway in Chengdu. The acquisition promotes the sustainable development of the Company and is in line with the development strategy of the Company, which could enhance the overall management of the Group's toll expressways in Sichuan Province, create synergies of the expressway network and thereby strengthen the core competitiveness of the Group.

As the Group and Rongcheng Second Ring Company are under the common control of Shudao Investment before and after the acquisition, the business combination has been accounted for in the consolidated financial statements of the Group as a business combination under common control based on the principles of merger accounting in accordance with AG 5 issued by the HKICPA as if the acquisition had occurred when Rongcheng Second Ring Company established by the ultimate holding company. Upon the business combination under common control effected on 30 April 2023, Rongcheng Second Ring Company has also become a subsidiary of the Group since its establishment on 20 April 2010.

Under the principles of merger accounting, the assets and liabilities of Rongcheng Second Ring Company are consolidated in the Group's financial statements using the existing book values as stated in the consolidated financial statements of Shudao Investment immediately prior to the combination.

29. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The carrying amounts of the assets and liabilities of Rongcheng Second Ring Company as at 31 December 2022 and 30 April 2023 were as follows:

	Book values at 30 April 2023	Book values at 31 December 2022
	RMB'000	*RMB'000*
Property, plant and equipment	**79,110**	83,912
Service concession arrangements	**13,336,295**	13,410,348
Deferred tax assets	**68,514**	72,133
Due from the ultimate holding company	**–**	2,286,278
Trade and other receivables	**24,190**	268,541
Cash and cash equivalents	**2,486,662**	35,955
Trade and other payables	**(455,919)**	(413,685)
Interest-bearing bank and other borrowings	**(12,541,001)**	(12,658,177)
Due to the ultimate holding company	**(152)**	(103,877)
Deferred income	**(84,380)**	(86,411)
Total net assets at book value	**2,913,319**	2,895,017
Difference recognised in equity	**2,989,681**	
Total purchase consideration	**5,903,000**	

The Group incurred transaction costs of RMB2,300,000 for this acquisition. These transaction costs have been expensed and included in administrative expenses in profit or loss.

Profit guarantee arrangements are included in the acquisition. Under the arrangements, Shudao Expressway and Shudao Investment are subject to a performance guarantee from 1 January 2023 to 31 December 2029 (the "Guarantee Period"), in respect of the projected net profit of Rongcheng Second Ring Company (the "Guaranteed Profit"), which shall not be less than the following amounts:

Guarantee Period	**Guaranteed Profit (cumulative)**
From 1 January 2023 to 31 December 2025	Not less than RMB231,177,770
From 1 January 2023 to 31 December 2026	Not less than RMB476,947,500
From 1 January 2023 to 31 December 2027	Not less than RMB768,080,831
From 1 January 2023 to 31 December 2028	Not less than RMB1,119,505,121
From 1 January 2023 to 31 December 2029	Not less than RMB1,541,563,886

If the actual realised net profits do not reach the relevant Guaranteed Profit, performance compensation shall be made to the Company in cash.

For more details, please refer to the circular of the Company dated on 10 March 2023.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, The Group had non-cash additions to right-of-use assets and lease liabilities of RMB24,426,000 (2022: RMB20,832,000) and RMB24,426,000 (2022: RMB20,832,000), respectively, in respect of lease arrangements for office buildings.

During the year, several customers renegotiated with the Group on revising the repayment schedules. In accordance with the newly agreed revised repayment schedules, trade and other receivables amounting to RMB1,539,212,000 were reclassified to non-current assets.

(b) Changes in liabilities arising from financing activities

2023

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*	Dividends payable *RMB'000*	Due to the ultimate holding company *RMB'000*
At 1 January 2023 (restated)	**31,819,587**	**134,052**	**68,616**	**–**	**103,877**
Changes from financing cash flows	**5,819,559**	**(39,161)**	**(1,355,621)**	**(377,888)**	**(103,725)**
Changes from operating cash flows	**–**	**–**	**–**	**–**	**(152)**
New leases *(note 14(a))*	**–**	**26,144**	**–**	**–**	**–**
Termination leases *(note 14(b))*	**–**	**(4,574)**	**–**	**–**	**–**
Interest expense	**18,733**	**6,337**	**912,799**	**–**	**–**
Interest capitalised *(note 6)*	**–**	**–**	**446,267**	**–**	**–**
Foreign exchange movement	**–**	**–**	**–**	**1,783**	**–**
Dividends declared	**–**	**–**	**–**	**376,105**	**–**
At 31 December 2023	**37,657,879**	**122,798**	**72,061**	**–**	**–**

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

2022

	Bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*	Dividends payable *RMB'000*	Due to the ultimate holding company *RMB'000*
At 1 January 2022 (restated)	32,505,970	147,790	69,674	–	56,538
Changes from financing cash flows (restated)	1,302,056	(36,594)	(1,269,395)	(395,438)	–
New leases	–	20,832	–	–	–
Termination lease *(note14(b))*	–	(2,843)	–	–	–
Interest expense (restated)	28,630	6,716	947,883	–	47,339
Interest capitalised *(note 6)*	–	–	329,568	–	–
Disposal of a subsidiary	(2,026,599)	(1,849)	(9,114)	(6,201)	–
Foreign exchange movement	9,530	–	–	–	–
Dividends declared	–	–	–	401,639	–
At 31 December 2022 (restated)	31,819,587	134,052	68,616	–	103,877

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Within operating activities	**3,166**	1,611
Within financing activities	**39,161**	36,594
Total	**42,327**	38,205

31. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Construction	**431,122**	556,891
Property, plant and equipment	**90,107**	–
Service concession arrangements	**9,030,948**	12,556,236
Total	**9,552,177**	13,113,127

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

(a) During the year, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a fellow subsidiary under control of Shudao investment, in relation to the provision of a computer system of the highway toll fee collection networks and the supportive technological services to the Group amounted to RMB18,850,000 (2022 (restated): RMB15,376,000). The fee was determined based on a service charge of 0.4% of toll income or RMB35,000,000 per annum, whichever is lower.

(b) During the year, fellow subsidiaries under control of Shudao Investment were engaged by the Group to provide construction and maintenance works. The prices of such works are usually determined through public tender and bidding process. Construction and maintenance costs recognised by the Group for such services aggregated RMB1,251,590,000 (2022 (restated): RMB1,355,006,000).

(c) During the year, a fellow subsidiary under control of Shudao Investment was engaged by the Group to provide property management services. Property management services costs recognised by the Group for such services during the year aggregated RMB13,812,000 (2022 (restated): RMB13,021,000). The directors consider that the amount paid for the property management services from a related company was determined based on prices similarly available to the related party's third-party customers.

(d) During the year, Road and Bridge provided construction services for the Tianqiong Expressway BOT Project. Construction cost recognised by the Group for such services during the year amounted to approximately RMB2,088,769,000 (2022: RMB1,173,378,000). The directors consider that the amount paid for the construction services from a related company was determined based on prices similarly available to the related party's third-party customers.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) During the year, the Group purchased refined oil products aggregating approximately RMB1,024,430,000 (2022: RMB985,902,000) from PetroChina Company Limited Sichuan Sales Branch, a non-controlling shareholder of a subsidiary within the Group. The prices were determined by adding transportation fee to the selling price of the refined oil by reference to market price.

(f) During the year, the Group purchased refined oil products aggregating to approximately RMB197,891,000 (2022: RMB159,218,000) from subsidiaries of Sinochem Oil Sales Company Limited, the holding company of a non-controlling shareholder of a subsidiary within the Group. The prices were determined according to market wholesale price.

(g) During the year, the Group did not provide finance lease to Sichuan Xugu Expressway Development Co., Ltd., a fellow subsidiary under control of Shudao Investment (2022: RMB2,994,000).

(h) During the year, the Group did not provide finance leases to Sichuan Communication (2022: RMB6,280,000).

(i) During the year, the Group acquired 81% and 19% equity interests in Rongcheng Second Ring Company from Shudao Expressway and SRB Group for an aggregate consideration of RMB5,903,000,000. The directors considered the consideration of the acquisition was determined after arm's length negotiation with reference to the market value appraised by Beijing North Asia Asset Assessment Firm (Special General Partnership), an independent qualified valuer.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(j) Details of interest-bearing loans provided to/(collected from) related parties:

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Collection of loans from:			
Shudao Investment	(i)	**(2,200,000)**	–
Shudao Expressway	(ii)	**(250,000)**	(200,000)
Total		**(2,450,000)**	(200,000)
Provision of loans to:			
Shudao Expressway	(ii)	**–**	450,000
Interest income from:			
Shudao Investment	(i)	**28,475**	108,266
Shudao Expressway	(ii)	**1,868**	5,825
Funds under centralised management	(iii)	**115**	1,009
Total		**30,458**	115,100

(i) On 8 June 2016, Rongcheng Second Ring Company provided a loan of RMB1,700,000,000 to Shudao Investment with instalment repayments of RMB170,000,000, RMB340,000,000, RMB510,000,000 and RMB680,000,000 on the respective maturity dates of 8 June 2023, 8 June 2024, 8 June 2025 and 8 June 2026. On 22 February 2017, Rongcheng Second Ring Company provided a loan of RMB800,000,000 to Shudao Investment with instalment repayments of RMB80,00,000, RMB160,000,000, RMB240,000,000 and RMB320,000,000 on the respective maturity dates of 22 February 2024, 22 February 2025, 22 February 2026 and 8 June 2026. On 16 March 2020 and 7 April 2023, aggregate amounts of RMB300,000,000 and RMB2,200,000,000 were early repaid by Shudao Investment, respectively. The above-mentioned loans provided to Shudao Investment bear interest at the rate of 5.15% per annum. The directors are of the view that interest charged to Shudao Investment has been determined according to the borrowing agreements by reference to the prevailing interest rate of similar bank loans.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(j) Details of interest-bearing loans provided to/(collected from) related parties: (continued)

(ii) On 17 June 2022 and 11 October 2022, Rongcheng Second Ring Company provided loans of RMB300,000,000 and RMB150,000,000 to Shudao Expressway for terms of one year and six months, respectively, with an annual interest rate of 3.10%. Interest thereof shall be paid on a quarterly basis and the principal shall be repaid in one lump sum upon maturity. On 28 December 2022, 17 March 2023 and 7 April 2023, aggregate amounts of RMB200,000,000, RMB10,000,000 and RMB240,000,000 were early repaid by Shudao Expressway, respectively. The directors are of the view that interest charged to Shudao Expressway has been determined according to the borrowing agreements by reference to the prevailing interest rate of similar bank loans.

(iii) The ultimate holding company sets up a group cash pool bank account to centrally manage working capital of entities within the Group. Before the acquisition, Rongcheng Second Ring Company's deposits in the group cash pool bank account bear the same interest rate as demand bank deposit. During the year, the funds under centralised management with an aggregate amount of RMB82,819,000 was repaid by Shudao Investment.

(k) As at 31 December 2023, the bank loans of RMB9,091,500,000 (31 December 2022 (restated): RMB9,104,000,000) were guaranteed by Shudao Investment (note 26(c)).

(l) As 31 December 2023, other borrowings of RMB3,091,016,000 (31 December 2022 (restated): RMB3,554,177,000) were guaranteed by Shudao Investment (note 26(d)).

(m) During the year, no guarantee fees were accounted for the corresponding bank loans guaranteed by Shudao Investment (2022 (restated): RMB47,339,000) and guarantee fees with an aggregate amount of RMB103,725,000 were paid to Shudao Investment.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(n) Compensation of key management personnel of the Group:

	2023	2022
	RMB'000	*RMB'000*
Fees	**320**	320
Other emoluments:		
Salaries, allowances and benefits in kind	**4,890**	5,362
Pension scheme contributions	**280**	273
Supplementary pension scheme contributions	**414**	330
Subtotal	**5,584**	5,965
Total	**5,904**	6,285

Further details of directors' emoluments are included in note 8 to the financial statements.

These transactions were carried out in accordance with the terms of agreements governing such transactions.

The related party transactions in respect of items (a), (b), (c) and (e) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	Equity investments designated at fair value through other comprehensive income *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Restricted deposits	–	–	128	128
Equity investments at fair value through other comprehensive income	–	87,769	–	87,769
Financial assets at fair value through profit or loss	34,383	–	–	34,383
Trade and bills receivables	–	–	1,868,440	1,868,440
Financial assets included in other receivables	–	–	588,000	588,000
Cash and cash equivalents	–	–	1,982,830	1,982,830
Total	34,383	87,769	4,439,398	4,561,550

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Interest-bearing bank and other borrowings	37,780,677
Trade payables	123,638
Financial liabilities included in other payables and accruals	2,237,259
Total	40,141,574

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2022

Financial assets

	Financial assets at fair value through profit or loss *RMB'000*	Equity investments designated at fair value through other comprehensive income *RMB'000*	Financial assets at amortised cost *RMB'000* (Restated)	Total *RMB'000* (Restated)
Restricted deposits	–	–	112	112
Equity investments at fair value through other comprehensive income	–	93,233	–	93,233
Financial assets at fair value through profit or loss	29,142	–	–	29,142
Trade and bills receivables	–	–	1,876,425	1,876,425
Financial assets included in other receivables	–	–	608,377	608,377
Due from the ultimate holding company	–	–	2,286,278	2,286,278
Cash and cash equivalents	–	–	2,587,976	2,587,976
Total	29,142	93,233	7,359,168	7,481,543

Financial liabilities

	Financial liabilities at amortised cost *RMB'000* (Restated)
Interest-bearing bank and other borrowings	31,953,639
Trade payables	62,640
Financial liabilities included in other payables and accruals	1,641,637
Due to the ultimate holding company	103,877
Total	33,761,793

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Financial assets				
Restricted deposits	**128**	112	**128**	112
Trade and other receivables, non-current	**1,539,212**	–	**1,634,824**	–
Equity investments designated at fair value through other comprehensive income	**87,769**	93,233	**87,769**	93,233
Financial assets at fair value through profit or loss	**34,383**	29,142	**34,383**	29,142
Due from the ultimate holding company, non-current	**–**	2,200,000	**–**	2,214,656
Total	**1,661,492**	2,322,487	**1,757,104**	2,337,143
Financial liabilities				
Interest-bearing bank and other borrowings (other than lease liabilities)				
Bank loans	**33,276,863**	26,975,410	**30,782,122**	24,971,319
Medium-term notes	**1,290,000**	1,290,000	**1,218,984**	1,214,967
Other borrowings	**3,091,016**	3,554,177	**2,966,729**	3,400,045
Total	**37,657,879**	31,819,587	**34,967,835**	29,586,331

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in other receivables, financial liabilities included in other payables and accruals and amounts due to the ultimate holding company approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The following methods and assumptions were used to estimate the fair values:

The fair values of trade and other receivables, the non-current portion of the amounts due from the ultimate holding company, interest-bearing bank and other borrowings and medium-term notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Group's or the subsidiaries' own non-performance risk where appropriate.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair value of investment in private equity fund at fair value through profit or loss was based on the net asset of the private equity fund, which takes into consideration the fair value of underlying assets and liabilities of the unlisted private equity fund.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
As at 31 December 2023				
Equity investments designated at fair value through other comprehensive income				
Listed equity investments	**78,199**	**–**	**–**	**78,199**
Unlisted equity investments	**–**	**–**	**9,570**	**9,570**
Financial assets at fair value through profit or loss				
Listed equity investments	**366**	**–**	**–**	**366**
Unlisted investments	**–**	**–**	**34,017**	**34,017**
Total	**78,565**	**–**	**43,587**	**122,152**

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
As at 31 December 2022				
Equity investments designated at fair value through other comprehensive income				
Listed equity investments	82,783	–	–	82,783
Unlisted equity investments	–	–	10,450	10,450
Financial assets at fair value through profit or loss				
Listed equity investments	365	–	–	365
Unlisted equity investments	–	–	28,777	28,777
Total	83,148	–	39,227	122,375

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2022: nil).

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
As at 31 December 2023				
Restricted deposits	**–**	**128**	**–**	**128**
Trade and other receivables, non-current	**–**	**–**	**1,634,824**	**1,634,824**
Total	**–**	**128**	**1,634,824**	**1,634,952**

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000* (Restated)	Total *RMB'000* (Restated)
As at 31 December 2022				
Restricted deposits	–	112	–	112
Due from the ultimate holding company, non-current	–	–	2,214,656	2,214,656
Total	–	112	2,214,656	2,214,768

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2023				
Interest-bearing bank and other borrowings (other than lease liabilities)	**–**	**–**	**34,967,835**	**34,967,835**

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
As at 31 December 2022				
Interest-bearing bank and other borrowings (other than lease liabilities)	–	–	29,586,331	29,586,331

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

Risk management is carried out by the finance department which is led by the Group's executive directors. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 26. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long-term receivables and loans which are subject to floating interest rates.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank, lease liabilities and other borrowings.

With regard to 2023 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to less than 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Lease liabilities	**–**	**1,031**	**26,188**	**81,967**	**20,214**	**129,400**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**–**	**806,952**	**3,928,627**	**15,656,440**	**28,687,940**	**49,079,959**
Trade and other payables	**1,194,246**	**199,492**	**967,159**	**–**	**–**	**2,360,897**
Total	**1,194,246**	**1,007,475**	**4,921,974**	**15,738,407**	**28,708,154**	**51,570,256**

	2022					
	On demand *RMB'000* (Restated)	Less than 3 months *RMB'000* (Restated)	3 to less than 12 months *RMB'000* (Restated)	1 to 5 years *RMB'000* (Restated)	Over 5 years *RMB'000* (Restated)	Total *RMB'000* (Restated)
Lease liabilities	–	7,941	17,082	67,218	41,811	134,052
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	565,558	2,330,683	9,858,821	23,422,067	36,177,129
Trade and other payables	835,940	141,937	726,400	–	–	1,704,277
Due to the ultimate holding company	103,877	–	–	–	–	103,877
Total	939,817	715,436	3,074,165	9,926,039	23,463,878	38,119,335

Credit risk

As the Group's major customers in the construction contracts segment are the PRC government agencies and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade and bills receivables	1,605,851	–	–	266,267	1,872,118
Financial assets included in prepayments, other receivables and other assets					
– Normal*	588,000	–	–	–	588,000
– Doubtful*	–	–	134,406	–	134,406
Restricted deposits					
– Not yet past due	128	–	–	–	128
Cash and cash equivalents					
– Not yet past due	1,982,830	–	–	–	1,982,830
Total	4,176,809	–	134,406	266,267	4,577,482

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000* (Restated)	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000* (Restated)
Trade and bill receivables	1,793,072	48,477	–	72,477	1,914,026
Financial assets included in prepayments, other receivables and other assets					
– Normal*	608,377	–	–	–	608,377
– Doubtful*	–	–	134,406	–	134,406
Restricted deposits					
– Not yet past due	112	–	–	–	112
Cash and cash equivalents					
– Not yet past due	2,587,976	–	–	–	2,587,976
Total	4,989,537	48,477	134,406	72,477	5,244,897

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the loans to customers and financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it 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 or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is the Group's total liabilities over its total assets. The Group's policy is to keep the gearing ratio at a healthy capital level in order to support its businesses. The Group's gearing ratio as at 31 December 2023 was 71.07% (2022 (restated): 61.55%).

Foreign currency risk

The Group's businesses are located in Chinese Mainland and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain items of cash and cash equivalents that are denominated in HK$.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$ and RMB as a reasonable possible change of 5% in RMB against HK$ would have no significant financial impact on the Group's profit.

36. CONTINGENT LIABILITIES

At 31 December 2023, the Group did not have any material contingent liabilities.

37. EVENTS AFTER THE REPORTING PERIOD

On 30 January 2024, Shudao New Energy Technology, a wholly-owned subsidiary of the Company, entered into the Asset Transfer Agreement with Sichuan Shujiao New Energy Co., Ltd. ("Shujiao New Energy"), an indirect subsidiary of Shudao Investment, pursuant to which, Shudao New Energy Technology agreed to acquire and Shujiao New Energy agreed to dispose of the charging station assets. The final consideration will not exceed RMB84,501,000 (tax inclusive). For more details, please refer to the announcement made by the Company published on 30 January 2024.

38. COMPARATIVE AMOUNTS

As further explained in note 2.1 and note 2.2 to the consolidated financial statements, certain comparative amounts have been restated as a result of a business combination under common control and adoption of amendments to HKAS 12.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**331,291**	359,450
Right-of-use assets	**159,514**	182,244
Service concession arrangements	**7,625,610**	8,168,327
Investments in subsidiaries	**14,592,494**	8,335,211
Investments in joint ventures	**27,287**	125,972
Investments in associates	**37,122**	38,438
Equity investments at fair value through other comprehensive income	**31,914**	34,321
Restricted deposits	**90**	76
Deferred tax assets	**38,158**	31,660
Total non-current assets	**22,843,480**	17,275,699
CURRENT ASSETS		
Inventories	**197**	197
Trade and other receivables	**97,916**	69,779
Due from subsidiaries	**8,240,093**	7,138,187
Cash and cash equivalents	**1,532,991**	2,163,728
Total current assets	**9,871,197**	9,371,891

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2023	2022
	RMB'000	*RMB'000*
CURRENT LIABILITIES		
Tax payable	**31,270**	81,780
Other payables and accruals	**708,310**	585,143
Contract liabilities	**2,946**	3,839
Interest-bearing bank and other borrowings	**1,795,957**	1,464,305
Due to subsidiaries	**4,189,886**	1,956,438
Total current liabilities	**6,728,369**	4,091,505
NET CURRENT ASSETS	**3,142,828**	5,280,386
TOTAL ASSETS LESS CURRENT LIABILITIES	**25,986,308**	22,556,085
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**6,543,081**	4,140,088
Deferred income	**73,586**	90,447
Total non-current liabilities	**6,616,667**	4,230,535
Net assets	**19,369,641**	18,325,550
EQUITY		
Issued capital	**3,058,060**	3,058,060
Reserves *(note)*	**16,311,581**	15,267,490
Total equity	**19,369,641**	18,325,550

You Zhiming
Director

Ma Yonghan
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account *RMB'000*	Surplus reserve *RMB'000*	Retained profits *RMB'000*	Fair value reserve of equity investments designated at fair value through other comprehensive income *RMB'000*	Difference arising from the acquisition of non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2022	2,654,601	5,923,848	5,994,133	187,103	(244,529)	14,515,156
Total comprehensive income for the year	–	–	1,072,395	16,326	–	1,088,721
Transfer to/(from) reserves	–	446,795	(446,795)	–	–	–
Disposal of financial assets at fair value through other comprehensive income	–	–	217,073	(217,073)	–	–
Final 2021 dividend declared	–	–	(336,387)	–	–	(336,387)
At 31 December 2022 and 1 January 2023	2,654,601	6,370,643	6,500,419	(13,644)	(244,529)	15,267,490
Profit for the year	**–**	**–**	**1,351,944**	**–**	**–**	**1,351,944**
Other comprehensive loss for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**(2,047)**	**–**	**(2,047)**
Total comprehensive income for the year	**–**	**–**	**1,351,944**	**(2,047)**	**–**	**1,349,897**
Transfer to/(from) reserves	**–**	**135,416**	**(135,416)**	**–**	**–**	**–**
Final 2022 dividend declared	**–**	**–**	**(305,806)**	**–**	**–**	**(305,806)**
At 31 December 2023	**2,654,601**	**6,506,059**	**7,411,141**	**(15,691)**	**(244,529)**	**16,311,581**

According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 27 March 2024.